

# Appendix 4D

## Half year report

### Pearl Healthcare Limited

ABN 58 009 259 189

#### 1. Reporting periods

Half year ended  
(‘Current period’)  
31 December 2008

Half year ended  
(‘Previous corresponding period’)  
31 December 2007

#### 2. Results for announcement to the market

Revenues from ordinary activities	Up	4%	to	\$A'000 \$7,394
Profit (loss) from ordinary activities after tax attributable to members	Down	43%	to	(\$349)
Net profit (loss) for the period attributable to members	Down	43%	to	(\$349)

#### 3. Net tangible asset backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	2.4 cents / share	-0.3 cents / share

#### 4. Controlled entities

No controlled entity has been gained and there has been no loss of control of acquired controlled entities during the six month period ended 31 December 2008.

#### 5. Dividends

There were no dividends declared during the period/year and the directors do not recommend that any dividend be paid.

**6. Dividend reinvestment plans**

N/A

**7. Associates and Joint Ventures**

N/A

**8. Foreign entities**

N/A.

**9. Review report**

The accounts have been subject to review. Please refer attached to the review report.

**PEARL HEALTHCARE LIMITED  
ABN: 58 009 259 191  
AND CONTROLLED ENTITIES**

**FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED  
31 DECEMBER 2008**

This half-year financial report is to  
be read in conjunction with the  
financial report for the year ended  
30 June 2008

**PEARL HEALTHCARE LIMITED AND CONTROLLED ENTITIES  
FINANCIAL REPORT FOR THE HALF-YEAR ENDED  
31 DECEMBER 2008**

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**PEARL HEALTHCARE LIMITED AND CONTROLLED ENTITIES**  
**ABN: 58 009 259 191**

**Directors' report**

The directors present their report together with the condensed financial report of the consolidated entity consisting of Pearl Healthcare Limited and the entities it controlled, for the half-year ended 31 December 2008 and independent review report thereon. This financial report has been prepared in accordance with Australian equivalents of International Financial Reporting Standards.

**Directors**

The names of the directors in office at any time during or since the end of the half year are:

<b>Name</b>	<b>Period of directorship</b>
Mr Greg Plummer (Chairman)	Appointed 3 February 2004
Mr Louis Niederer	Resigned 31 October 2008
Mr Paul Niederer	Appointed 28 September 2006
Peter Stirling	Appointed 19 August 2008
Ian Neal	Appointed 2 October 2008

The directors have been in office since the start of the financial period to the date of this report unless otherwise stated

**Review of operations**

**Revenue**

Laboratory sales increased 3.5% to \$7.4 million during the last six months when compared to the same period in 2007/8, reflecting stronger sales particularly in Chrome and Prosthetics during the period. Comparable laboratory sales rose by 8.5% when adjustments are made for Lodge and Looney laboratory which closed in February 2008 and did not operate in the current period.

**Expenses**

Expenses remained constant for the period at \$7.7 million during the reporting period, the same as the prior period. Our major expense, employee costs decreased marginally as a percentage of sales from 62% for the prior period to 61% in the current period. The cost of laboratory supplies also remained consistent at around 16% of sales for both periods.

Total Laboratory and Head Office overhead expenses declined as a percentage of sale from 31% in the previous period to 28% in the current period. These costs should now grow at a slower rate than sales revenue increases which will see the costs as a percentage decline further over coming periods.

**Gross Margin**

Gross Margin as a percentage of sales improved from 28% to 31% for the period increasing from \$2.1M to \$2.4M.

**Net Profit/(loss)**

The net loss for the reporting period decreased from \$0.6M to \$0.3M with no income tax expense recorded. This improvement helped contribute to the positive "Net Cash from Operations" of \$95,000, a significant improvement on the outflow of \$776,000 recorded in the comparative period.

**PEARL HEALTHCARE LIMITED AND CONTROLLED ENTITIES**

**ABN: 58 009 259 191**

**Directors' report (continued)**

**Share Placement**

On the 12 November the allotment of a non-renounceable one for one entitlements offer was completed. The offer was priced at 20 cents per share raising \$1,321,582 before costs.

**Events subsequent to balance date**

There has not arisen in the interval between the end of the half-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 entity, the results of those operations or the state of affairs of the entity in future financial years, other than the closure of one facility operating in the Newcastle area. This closure will have an impact on sales and to a lesser extent profit however Directors expect the strategy of updating and growing the facilities located in capital cities should offset the sales previously obtained from this location.

**Auditor's Declaration**

A copy of the auditor's declaration in relation to the review for the half-year is provided with this report.

**Rounding off**

The amounts contained in the report and in the financial report have been rounded to the nearest thousand dollars (where rounding is applicable) under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the class order applies.

Signed in accordance with a resolution of the directors.



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Greg Plummer  
Director  
20 February 2009  
Sydney

Grant Thornton  
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20 February 2009

**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 review of Pearl Healthcare Limited for the half-year ended 31 December 2008, 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON  
Chartered Accountants



Simon Hourigan  
Partner

Melbourne, 20 February 2009

**PEARL HEALTHCARE LIMITED AND CONTROLLED ENTITIES**  
**ABN: 58 009 259 191**

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

		Half-year	
	Note	2008	2007
		\$'000	\$'000
<b>Revenue</b>			
Sales revenue		7,374	7,122
Other revenue		<u>20</u>	<u>22</u>
		7,394	7,143
Employee benefits expenses		(4,525)	(4,409)
Raw materials and consumables used		(1,072)	(1,034)
Depreciation and amortisation expenses		(347)	(396)
Changes in inventories of raw materials and stores and work in progress		(93)	(83)
Corporate and office administration expenses		(271)	(285)
Operating lease rental expenses		(378)	(371)
Accounting and legal expenses		(189)	(272)
Freight expenses		(189)	(248)
Finance costs		(184)	(177)
Directors' fees		(37)	(38)
Other expenses from ordinary activities		<u>(458)</u>	<u>(436)</u>
Total expenditure		(7,743)	(7,750)
<b>Profit/(loss) before income tax expense</b>		<u>(349)</u>	<u>(607)</u>
Income tax benefit/(expense)		<u>-</u>	<u>-</u>
<b>Net profit/(loss) attributable to members of the parent entity</b>		<u>(349)</u>	<u>(607)</u>
Basic earnings/(loss) per share:			
Ordinary shares	6	<u>-\$0.042</u>	<u>-\$0.099</u>
Diluted earnings/(loss) per share:			
Ordinary shares	6	<u>-\$0.042</u>	<u>-\$0.099</u>

The accompanying notes form part of these financial statements.



**PEARL HEALTHCARE LIMITED AND CONTROLLED ENTITIES**  
**ABN: 58 009 259 191**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	Note	Issued capital \$'000	Accumulated losses \$'000	Total Equity \$'000
Balance at 1 July 2008		27,078	(27,628)	(550)
Total recognised income and expense		-	(349)	(349)
Shares issued during the period (net of costs)		1,267	-	1,267
Capitalisation of shareholder loans		-	-	-
Cost of equity based compensations		-	-	-
Balance at 31 December 2008		28,345	(27,977)	368
Balance at 1 July 2007		26,734	(26,494)	240
Total recognised income and expense			(607)	(607)
Issued shares (net of costs)		345	-	345
Capitalisation of shareholder loans		-	-	-
Cost of equity based compensations		-	-	-
Balance at 31 December 2007		27,079	(27,101)	(22)

The accompanying notes form part of these financial statements.

**PEARL HEALTHCARE LIMITED AND CONTROLLED ENTITIES**  
**ABN: 58 009 259 191**

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	Note	31 Dec 2008	30 June 2008
		\$'000	\$'000
<b>Current assets</b>			
Cash and cash equivalents		388	457
Trade and other receivables		1,593	1,532
Inventories		487	580
<b>Total current assets</b>		<u>2,468</u>	<u>2,569</u>
<b>Non-current assets</b>			
Property, plant and equipment		1,974	2,175
Intangible assets		45	-
<b>Total non-current assets</b>		<u>2,019</u>	<u>2,175</u>
<b>Total assets</b>		<u>4,487</u>	<u>4,744</u>
<b>Current liabilities</b>			
Trade and other payables		878	971
Short-term borrowings		675	3,385
Employee benefits		475	469
<b>Total current liabilities</b>		<u>2,028</u>	<u>4,825</u>
<b>Non-current liabilities</b>			
Long-term borrowings		1,569	49
Employee benefits		522	420
<b>Total non-current liabilities</b>		<u>2,091</u>	<u>469</u>
<b>Total liabilities</b>		<u>4,119</u>	<u>5,294</u>
<b>Net assets</b>		<u>368</u>	<u>(550)</u>
<b>Equity</b>			
Issued capital	3	28,345	27,078
Retained profits/(accumulated losses)		<u>(27,977)</u>	<u>(27,628)</u>
<b>Total equity</b>		<u>368</u>	<u>(550)</u>

The accompanying notes form part of these financial statements.

**PEARL HEALTHCARE LIMITED AND CONTROLLED ENTITIES**  
**ABN: 58 009 259 191**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	Half-year	
	2008	2007
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations	7,486	7,112
Cash payments in the course of operations	(7,212)	(7,724)
Interest received	5	5
Borrowing costs paid	(184)	(169)
Income taxes	-	-
<b>Net cash used in operating activities</b>	<u>95</u>	<u>(776)</u>
<b>Cash flow from investing activities</b>		
Payments for property, plant and equipment	(197)	(244)
<b>Net cash used in investing activities</b>	<u>(197)</u>	<u>(244)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	1,267	345
Repayment of monies owing to vendor	-	(58)
Proceeds from/(repayment of) borrowings	(1,206)	92
Proceeds from/(repayment of) lease liabilities	(28)	195
<b>Net cash provided by/(used in) financing activities</b>	<u>33</u>	<u>573</u>
<b>Net increase/(decrease) in cash held</b>	(69)	(447)
<b>Cash at the beginning of the financial period</b>	<u>457</u>	<u>866</u>
<b>Cash at the end of the financial period</b>	<u>388</u>	<u>419</u>

The accompanying notes form part of these financial statements.

**PEARL HEALTHCARE LIMITED AND CONTROLLED ENTITIES**  
**ABN: 58 009 259 191**

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2008**

**Note 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT**

This half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2008 and any public announcements made by Pearl Healthcare Limited during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

The half-year financial report was authorised for issue by the directors on 20th February 2009

**(a) Basis of Preparation of the half-year financial report**

This general purpose half year financial report has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001

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

**(b) Summary of the significant accounting policies:**

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2008.

**(c) Principles of Consolidation**

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which Pearl Healthcare Limited controlled from time to time during the year and at balance date.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist. All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

**(d) Rounding Amounts**

The company is of a kind referred to in ASIC Class Order CO 98/0100 and in accordance with that Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

**PEARL HEALTHCARE LIMITED AND CONTROLLED ENTITIES**  
**ABN: 58 009 259 191**

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2008**

**(e) Going concern**

The economic entity has recorded a net loss of \$349,000 for the half-year ended 31 December 2008 but has a net surplus in assets of \$368,000 as at 31 December 2008. The directors of the Company have prepared the consolidated financial report on the going concern basis.

Included in the net assets surplus is a non-current loan from a director related entity being Jetan Pty Ltd for \$1,514,920. The loan is subject to a separate loan agreement. The repayment terms of this agreement do not require repayment of the loan until 2011 provided the terms of the agreement are complied with.

The economic entity is reliant on improving its operating performance, continuing to comply with the terms of the loan agreement with the director related entity, and continuing to comply with the terms of the invoice financing agreement with its bank or obtaining alternate sources of funding via debt or capital raising.

Without such improvement in operating performance or the ability to obtain alternate sources of funding, there is uncertainty whether the economic entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liability that might be necessary should the economic entity not continue as a going concern.

**(f) Plant and equipment**

*Acquisition*

Items of plant and equipment are recorded at cost and depreciated as outlined below. Assets are depreciated from the date of acquisition.

*Depreciation*

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

The depreciation rates used for each class of asset are as follows:

Plant and equipment	10 - 33%
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**(g) Trade and other receivables**

Trade and other receivables are stated at their cost less specific provisions made for doubtful accounts.

**PEARL HEALTHCARE LIMITED AND CONTROLLED ENTITIES**  
**ABN: 58 009 259 191**

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2008**

**(h) Impairment**

The carrying amounts of non-current assets valued on a cost basis are reviewed at reporting date to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds its recoverable amount the asset is written down to the lower amount, with the write-down recognised in the income statement in the period in which it occurs. Where a group of assets working together supports the generation of cash inflows, the recoverable amount is assessed in relation to that group of assets. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

Under AIFRS, the carrying amount of the Company's non-current assets, excluding deferred tax assets and indefinite life intangible assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset will be tested for impairment by comparing its recoverable amount to its carrying amount.

*Calculation of recoverable amount*

The recoverable amount of the economic entity's goodwill and other assets is the greater of their net selling price 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.

The value in use methodology also considers current market capitalisation assessments of the value of the economic entity where uncertainty exists over the accuracy of historically estimated future cash flows forecasts and subsequent actual results for the forecast periods.

**(i) Trade and other payables**

Trade and other payables are stated at cost.

**PEARL HEALTHCARE LIMITED AND CONTROLLED ENTITIES**  
**ABN: 58 009 259 191**

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2008**

**(j) Employee entitlements**

*Superannuation*

The company does not provide a defined benefit plan for employees. The company meets its statutory obligation to make superannuation contributions on behalf of employees to particular funds identified by employees themselves. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

*Long term service benefits*

The Company's net obligation in respect of long-term service benefits, other than pension plans, 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 Company's obligations.

*Wages, salaries and annual leave*

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

**(k) Provisions**

A provision is recognised when a legal or constructive obligation exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

If the effect is material, 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, the risks specific to the liability, except where noted below.

**PEARL HEALTHCARE LIMITED AND CONTROLLED ENTITIES**  
**ABN: 58 009 259 191**

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2008**

**(l) Taxation**

Income tax on the income statement for the periods presented comprises current and deferred taxes. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it will be recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences will not be provided for: goodwill for which amortisation is not tax deductible, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets will be reduced to the extent it is no longer probable that related tax benefits will be realised.

**(m) Goods and services tax**

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows 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.



**PEARL HEALTHCARE LIMITED AND CONTROLLED ENTITIES**  
**ABN: 58 009 259 191**

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2008**

**(n) Financial Liabilities**

*Current accounting policy*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

**(o) 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.

**(p) Revenue**

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

**(q) Financial period**

The financial period is for the six months ended 31 December 2008. The previous financial period is for the six months ended 31 December 2007.

**PEARL HEALTHCARE LIMITED AND CONTROLLED ENTITIES**  
**ABN: 58 009 259 191**

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2008**

**2 Individually significant items**

There were no significant items

<b>3 Capital</b>	<b>31 Dec 2008 \$'000</b>	<b>30 June 2008 \$'000</b>
<b>Issued and paid-up capital</b>		
13,215,822 (30 June 2008: 6,607,911) ordinary shares, fully paid	<u>28,345</u>	<u>27,078</u>
6,607,911 shares were issued under a Rights Issue on 12th November 2008.		
Basic earnings/(loss) per share:		
Ordinary shares	<u>-\$0.042</u>	<u>-\$0.099</u>
Diluted earnings/(loss) per share:		
Ordinary shares	<u>-\$0.042</u>	<u>-\$0.099</u>

There were no options issued or exercised during the reporting period. No options remain outstanding at the date of this report.

**4 Segment reporting**

**Business and Geographical segment**

During the half-year, the economic 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 economic entity's business segment

**5 Contingent liabilities and contingent assets**

There are no contingent liabilities or contingent assets at the current or previous half-year.

**PEARL HEALTHCARE LIMITED AND CONTROLLED ENTITIES**  
**ABN: 58 009 259 191**

**NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 31 DECEMBER 2008**

**6 Earnings per share**

	<b>Consolidated</b>	
	<b>31-Dec-08</b>	<b>31-Dec-07</b>
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share after share placement and issue (refer Note 3)	8,259,889	6,131,299
	<b>\$'000</b>	<b>\$'000</b>
Net profit used in the calculation of basic and diluted earnings per share	<u>(349)</u>	<u>(607)</u>

**7 Events subsequent to balance date**

There has not arisen in the interval between the end of the half-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 entity, the results of those operations or the state of affairs of the entity in future financial years, other than the closure of one facility operating in the Newcastle area. This closure will have an impact on sales and to a lesser extent profit however Directors expect the strategy of updating and growing the facilities located in capital cities should offset the sales previously obtained from this location.

**PEARL HEALTHCARE LIMITED AND CONTROLLED ENTITIES**  
**ABN: 58 009 259 191**

**Directors' declaration**

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

- 1 the financial statements and notes set out on pages 4 to 15, are in accordance with the Corporations Act 2001, including:
  - (a) giving a true and fair view of the financial position of the economic entity as at 31 December 2008 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date: and
  - (b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- 2 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 20th day of February 2009

Signed in accordance with a resolution of the directors:



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Greg Plummer  
Director

Grant Thornton  
ABN 13 871 256 387

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**Independent Auditor's Review Report  
To the Members of Pearl Healthcare Ltd**

**Report on the half-year financial report**

We have reviewed the accompanying half-year financial report of Pearl Healthcare Ltd (the Company) and consolidated entity, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration. The consolidated entity comprises both the Company and the entities it controlled at the half-year's end or from time to time during that half-year.

**Directors' responsibility for the half-year financial report**

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards including the Australian Accounting Interpretations and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410: Review of an Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Pearl Healthcare Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Independence**

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

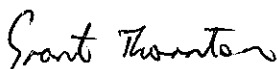
### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pearl Healthcare Ltd is not in accordance with the Corporations Act 2001, including:

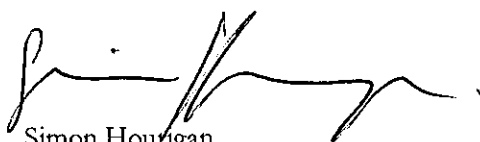
- 1 giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- 2 complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

### **Material uncertainty regarding continuance as a going concern**

Without qualifying our conclusion, we draw attention to note 1(e) in the financial report which indicates that the consolidated entity incurred a net loss of \$349,000 during the half-year ended 31 December 2008. This condition, along with other matters as set forth in Note 1(e), indicates the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern.



GRANT THORNTON  
Chartered Accountants



Simon Hourigan  
Partner

Melbourne, 20 February 2009