

MEDIC VISION LIMITED
AND ITS
CONTROLLED ENTITIES
ABN: 67 009 084 143

ANNUAL FINANCIAL REPORT

YEAR ENDED
30 JUNE 2009

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CHAIRMAN'S LETTER

Dear Shareholders,

The 2008-09 financial year was a very disappointing year in terms of the financial performance of your company which culminated in it being suspended from the ASX in March 2009. Having just been appointed as your chairman, I have spent the last month reviewing the strategy and operations of the company and have noted the following:

- The new CEO, Vince Leone, has commenced a comprehensive operational review of the company which has already resulted in substantial cost savings and is continuing to find ways to increase revenue within the new cost base.

- The new board is midway through a strategic review which should reposition the

company to leverage its core competencies and start delivering value to shareholders.

The recent rebound in the economy and the enthusiasm of the new board and executive gives me great confidence that your company is on the cusp of a turnaround during the next financial year.



Indrajit Arulampalam

Executive Chairman
22 October 2009

CORPORATE DIRECTORY

DIRECTORS

Mr. Indrajit Arulampalam (Chairman) (appointed 14 September 2009)
Mr Frank Cannavo
Mr Ross Horley (resigned 2 September 2009)
Mr Vince Leone (Chief Executive Officer) (appointed 20 May 2009 as director and 4 June as CEO)
Mr Ponnambalam Sivasubramaniam (appointed 6 April 2009) (resigned 14 August 2009)
Mr Patrick Cregan (appointed 24 January 2008)(resigned 31 August 2008)
Mr Ratnarajah ("Thamby") Navaratnam (appointed 10 September 2008)(resigned 15 July 2009)

COMPANY SECRETARY

Mr Adam Legg (appointed 8 November 2007)(resigned 28 October 2008)
Mr Mark Licciardo (appointed 5 November 2008) (resigned 4 September 2009)
Mr Indrajit Arulampalam (appointed 14 September 2009)

REGISTERED OFFICE

45 Stubbs Street, Kensington, VIC 3031, Australia
Telephone: + 61 3 9369 6488
Facsimile: + 61 3 9369 6499

OPERATIONAL OFFICE

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Telephone: + 61 3 8508 8288
Facsimile: + 61 3 9576 3055

AUDITORS

PKF
Level 14
140 Williams Street
Melbourne Victoria 3000

SOLICITORS

Prosperity Legal (as of September 2009)
GEELONG (HEAD OFFICE) Suite 2/72 Gheringhap Street,
Geelong VIC 3220

The Company is listed on the Australian Securities Exchange and Alternative Investment Market (AIM) (UK).

Codes:

ASX:MVH (Shares)
ASX:MVHOA (Options)

AIM (UK):MVH (Shares)

SHARE REGISTRY

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REVIEW OF OPERATIONS

Financial year 2008-09 was a challenging year on all accounts, and no industry was spared. Key impacts on the Company were from the global financial crisis, capital commitment (of \$1Million) which never eventuated, research and development costs, high operational costs and poor sales and marketing efforts. All these factors lead to the Company being suspended from the Australian Stock Exchange on the 17 March 2009. I was appointed to the board as a director on the 20 May 2009. Upon this appointment, I initiated a strategic review of the business with the aim of generating profitable revenue within an 18 month period. The strategic review resulted in a significant company restructure whereby I was appointed Chief Executive Officer and President on the 4th June 2009. At the same time a new director Ponnambalam Sivasubramaniam, with extensive commercial knowledge and experience in the Asia Pacific region, was also appointed to the board, staff numbers and other operational costs were dramatically reduced, and the focus of the company was changed from technology development to sales and marketing. The company secured \$848,980 in working capital, which was raised via a convertible note (which the Company seeks to have approved at the Annual General Meeting). Director payments were terminated until further notice, staff salaries were reduced and unfortunately staff numbers were also reduced. In assessing the financial viability and to improve the cash-flow, the management had taken steps to significantly reduce costs and increase sales with the company's new strategy of focussing on product sales.

The following provides an overview of operations in each of the regions Medic Vision operates in.

India

Medic Vision provided Apollo Hospital Enterprises Limited (AHEL) with consulting services regarding the design of the Chennai Medical Skills Centre on the basis that they would sign a mutually beneficial commercial agreement with MVH. The new management has been in contact with AHEL and continues to liaise with AHEL to confirm the

terms and conditions of the definitive agreement between the two organisations.

Asia

The China Medical Doctors Association and most of the Institutions Medic Vision has supplied products and services (as listed below) have indicated strong interest in medical training to be conducted by UK and Australian medical training organisations. MVH is utilising its relationships with UK and Australian organisation to co-ordinating such training in China, the UK and Australia.

- Shenzhen Nursing School
- Foshan Medical University
- Guangzhou Medical College
- Guangzhou Pharmaceutical College
- Huan Xiangya Hospital
- Peking Union Medical College Hospital, Beijing
- Beijing Hospital 301
- Guangdong University

As part of cost cutting measures MVH closed its Shanghai office.

In parallel with the above short term goal, aimed at generating profitable revenue from Asia as soon as possible, Medic Vision also progressed initiatives to provide management services to existing skills centres under a total service provider model.

UK

Medic Vision actively positioned itself to establish Medic Skill Training centres with a number of UK institutions as part of the UK governments policy to test its 150,000 doctors basic medical competency. Given changes at some of these institutions, this strategy is taking longer than expected to be realised, so Medic Vision has focussed primarily on selling medical simulators and consulting services. Key business targets are with the following existing customers:

- Cork University Maternity Hospital, Ireland
- Guy's and St Thomas Hospital
- Royal Free Hospital

- Royal College of Surgeons of England
- South Devon Trust, CITEC Torbay Hospital
- Good Hope Hospital
- Addenbrooke's Hospital
- St Marks Hospital
- Luton & Dunstable Hospital
- Frimley Park Hospital
- Medtronic Ltd
- University of Aberdeen
- Ninewells Hospital, Cuschieri Skills Centre

The Medic Vision restructure also impacted the UK operation. Key aspects were cost reductions, a solid focus on sales and marketing supported by head office expertise and resources.

Australia

Australia holds significant importance to the company as it plays a key role in setting standards for overseas markets. The company restructure assisted this role by providing better sales, marketing and technical support on a lower cost basis to the Asian and UK subsidiaries.

Medic Vision has provided products and services to the following institutions over the last 12months:

- St John of God Hospital
- Royal Australian College of Surgeons
- The University of New England
- Guangzhou Pharmaceutical College

Product Development

- Mediseus® Surgical Drilling Simulator - (ENT and related procedures)

- Mediseus® Epidural Simulator

A newer version of the Epidural simulator, which is more cost effective, has been prototyped and demonstrated to a number of parties.

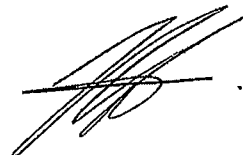
Another Surgical Drilling simulator was sold (Europe) and Cochlear remained a target buyer for the simulator.

Refined commercialisation plans were also produced and forecast sales started being managed via the new sales and marketing methodology.

Conclusion

Medic Vision faced one of the most challenging years of its existence last year. Nonetheless, the company was able to raise capital in what has been regarded as the most financially challenged period since the great depression and re-build its operations. The 'new' Medic Vision is focussed on selling and marketing its core products and services (Simulators, Consulting Services and generating revenue from the management of Medical Skills Centres), whilst at the same time significantly reducing operational costs.

We look forward to keeping our shareholders and the broader market updated on the results achieved by the new Medic Vision.



Vince Leone

Chief Executive Officer

22 October 2009

DIRECTORS' REPORT

The Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2009.

Directors

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

Mr Frank Cannavo

Non-Executive Director and Acting Chairman

Mr Cannavo has considerable experience within the listed company sector and in several cases has been instrumental in assisting in the achievement of growth strategies. Mr Cannavo was appointed an Executive Director of Medic Vision on 5 April 2007 and became Non-Executive Director on 22 May 2009 and Acting Chairman from 15 July 2009 until 14 September 2009.

Mr Cannavo is also Acting Chairman of the Remuneration Committee and a member of the Audit & Risk Committee.

Directorships held in other listed entities in the past three years: Hannans Reward Limited (HNR) between 2006 and 2009 and ATOS Wellness (ATW) between 2008 and 2009)

Mr. Ross Horley C. Elec. Eng

Executive Director (resigned 2 September 2009)

Mr Horley was the founder and until May 2009 was the Managing Director of Medic Vision. Mr Horley established Medic Vision as a medical technology service provider dedicated to achieving better and safer medical outcomes. Mr Horley's involvement in these areas has gained him a reputation as leader in the above fields especially in relation to virtual reality. Mr Horley has worked extensively throughout Australia, United Kingdom and Asia on many innovative projects, including the design of internationally recognised medical and surgical skills training facilities. He has further established collaborative agreements with many leading universities, R&D organisations and medical education facilities around the globe on behalf of Medic Vision.

Directorships held in other listed entities in the past three years: Nil

Mr Vince Leone

Chief Executive Officer (appointed 20 May 2009)

Mr Leone was appointed to the Board on 20 May 2009 and to the position of Chief Executive Officer on 4 June 2009.

Mr Leone is responsible for all operational activities of Medic Vision and its subsidiaries and reports directly to the Board of Directors.

Mr Leone has 22 years business experience in a range of senior management positions covering sales, marketing and operations with a particular focus in professional services, training, information technology and telecommunications.

Mr Leone's experience and background compliments the achievements of Ross Horley in establishing the Company, developing leading medical simulator technology and establishing relationships with key medical organisations and hospital groups around the world.

Mr Leone is a member of the Audit & Risk Committee and Remuneration Committee.

Directorships held in other listed entities in the past three years: Hostech Limited (between July 2007 and June 2009)

Mr Ponnambalam ("Siva") Sivasubramaniam

Non-Executive Director (appointed 20 May 2009) (resigned 14 August 2009)

Mr. Sivasubramaniam has extensive international commercial knowledge and experience in sales and marketing in the Asia Pacific region. Siva assisted in reviewing the Medic Vision business and setting profitability targets

Directorships held in other listed entities in the past three years: Nil

Mr Ratnarajah ("Thamby") Navaratnam

Non-Executive Director (appointed 10 September 2008)(resigned 15 July 2009)

Mr. Navaratnam has a background in healthcare manufacturing and trading. Mr. Navaratnam held chairmanship positions in various corporate entities involved in healthcare, chemicals, property development and garment sectors

Directorships held in other listed entities in the past three years: Nil

Mr. Indrajit 'Jitto' Arulampalam (Executive chairman) (appointed 14 September 2009)

On 4 September 2009, Mr Arulampalam was appointed company secretary replacing Mr. Mark Licciardo who resigned on 4 September 2009.

Mr. Jitto Arulampalam has solid commercial experience and has extensive experience as a board member of a number of successful companies.

Directorships held in other listed entities in the past three years: (ATOS Wellness Limited, Mekong Mining Limited, Newsnet Limited and Pisces Group Limited)

Directors' Interest

The relevant interest of each director in the shares and options issued by the companies within the consolidated entity and other related body corporate, as notified by the directors to the Australian Securities Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Full Paid Shares	Options
Mr. Ratnarajah Navaratnam	72,304	Nil
Mr Ross Horley	5,213,074	3,500,000
Mr Frank Cannavo	3,012,500	2,500,000
Mr Vince Leone	859,000	Nil
Mr Ponnambalam Sivasubramaniam	Nil	Nil
Mr Indrajit Arulampalam	Nil	Nil

Company Secretary

Mr Mark Licciardo, B.Bus (Acc), GradDip CSP, FCIS (resigned 4 September 2009)

Mark Licciardo was appointed Company Secretary on 5 November 2008. Mr Licciardo is Managing Director of Mertons Corporate Services Pty Ltd which provides company secretarial, corporate governance and administration services to Medic Vision and other ASX listed and unlisted public and private companies. Prior to running the consulting business, Mr Licciardo was Company Secretary of the Transurban Group (2004–2007) and Australian Foundation Investment Company (1997-2004)

Dividends

The Directors did not pay any dividends during the financial year. The Directors do not recommend the payment of a dividend in respect of the 2009 financial year.

Principal Activities

The economic entity's principal activities in the course of the financial year were the research, development and commercialisation of medical devices and diagnostic simulators. The economic entity has signed a number of Memoranda of Understanding during the financial year. This is the first step in the economic entity's shift in its principal activities into developing and maintaining educational facilities.

Review and Results of Operations

The consolidated net loss for the year after income tax attributable to members of the parent entity amounted to \$2,464,407 (2008 loss: \$5,483,777). [The Review of Operations is set out on pages 3 to 4].

Significant Changes in the State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the economic entity during the financial year under review than otherwise disclosed in the Annual Report.

During this year, on 8 January 2009, the Company acquired an 87.5% interest in Red Paragon Pty Ltd, an entity which manufactures energy efficient, rapid erection and low cost wall, floor, ceiling building panels, which can be used in the construction of medical skills training centres.

Significant After Balance Date Events

After 30 June 2009 the Company commenced negotiations to acquire a successful digital marketing company. It is expected that the acquisition of this cash generating company will not only strengthen the company's financial position but also help market the entire range of products in a cost effective manner in the global markets where Medic Vision has a foot print.

Likely Future Developments, Prospects and Business Strategies

The likely developments in the economic entity's operations, to the extent that such matters can be commented upon, are covered in Review of Operations.

Environmental Issues

The economic entity is involved in scientific research, development and consulting and does not create any significant environmental impact to any material extent. The economic entity's scientific research and activities are in compliance with all prescribed environmental regulations.

Share Options

Unissued Shares

As at the date of this report there were 16,250,173

unissued ordinary shares under options. Refer to the remuneration report for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

Shares Issued as a result of the Exercise of Options

During the financial year, no options were exercised.

Indemnification and Insurance of Directors and Officers

During the financial year, the Company held an insurance policy to indemnify Directors and Officers against certain liabilities incurred as a Director or Officer, including costs and expenses associated in successfully defending legal proceedings. The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify the Directors, Officers or Auditors of the Company or any related body corporate against the liability incurred as such a Director, Officer or Auditor.

In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of premium.

Meetings of Directors

The following tables set out the number of Directors' Meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or Committee Member). During the financial year seven Board meetings and two Audit, Risk and Compliance meetings were held. The Remuneration Committee did not meet during the year.

	Board Meetings		Audit Committee Meetings	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
Directors:				
Mr Ross Horley (resigned 2 September 2009)	6	6	2	2
Mr Frank Cannavo	6	6	2	2
Mr Vince Leone (appointed 20 May 2009)	2	2	-	-
Mr Ponnambalam Sivasubramaniam (appointed 20 May 2009) (resigned 14 August 2009)	2	2	2	2
Mr Ratnarajah ("Thamby") Navaratnam (appointed 10 September 2008) (resigned 15 July 2009)	5	5	-	-
Mr Patrick Cregan (appointed 28 Jan 2008) (resigned 31 August 2008)	1	1	-	-
Mr. Indrajit Arulampalam (appointed 14 September 2009)	-	-	-	-

Auditor

In accordance with the provisions of the *Corporations Act 2001*, the Company's auditors, PKF Chartered Accountants, continue in office.

Non-audit Services

The auditors did not perform any other services during the financial year ended 30 June 2009.

The following fees were paid/ payable to the external auditors during the year ended 30 June 2009.

Audit Services	
Audit and review of Financial Reports	\$ 42,000
Non-audit Services	
N/A	\$N/A

Auditor's Independence Declaration

The Lead Auditor's Independence Declaration for the year ended 30 June 2009 has been received and can be found on page 9.



Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Medic Vision Limited for the year ended 30 June 2009, 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.

This declaration is in respect of Medic Vision Limited and the entities it controlled during the year.

Richard A Dean
Partner
PKF

22 October 2009
Melbourne

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Remuneration Report (audited)

This Remuneration Report outlines the director and executive remuneration arrangements of the company and the group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the company and the group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report, the term 'executive' encompasses the Chief Executive, senior executives and secretaries of the parent and the group

Details of Key Management Personnel

Directors

Mr Indrajit Arulampalam	Executive Chairman (appointed 14 September 2009)
Mr Frank Cannavo	[Acting Chairman] and Non-Executive Director
Mr Vince Leone	Chief Executive Officer (appointed 6 20 May 2009)
Mr Ross Horley	Executive Director (resigned 2 September 2009)
Mr Ponnambalam Sivasubramaniam	Non-Executive Director (appointed 20 May 2009) (resigned 14 August 2009)
Mr Patrick Cregan	Non-executive Chairman (appointed 24 January 2008) (resigned 31 August 2008)
Mr Ratnarajah ("Thamby") Navaratnam	Non-executive Chairman (appointed 10 September 2008)(resigned 15 July 2009)

Executives

Mr Mark Licciardo	Company Secretary (appointed 5 November 2008) (resigned 4 September 2009)
Mr Adam Legg	Chief Financial Officer & Company Secretary (appointed 8 November 2007) (resigned 28 October 2008)

Elements of Director and Executive Remuneration

Remuneration packages contain the following key elements:

- Primary benefits – salary/fees and bonuses
- Post-employment benefits including superannuation

Equity including share options granted as performance bonuses or in lieu of services.

Other benefits including additional consulting fees.

Remuneration Policy

The remuneration of all Executives and Non-executive Directors, Officers and Employees of the Company is determined by the Board.

The Company is committed to remunerating Senior Executives and Executive Directors in a manner that is market-competitive and consistent with best practice including the interests of shareholders. Where possible/relevant remuneration packages are based on fixed and variable components determined by the Executives' positions, experience and performance and may be satisfied via cash or equity.

Non-executive Directors are remunerated out of the maximum aggregated amount approved by shareholders and at a level that is consistent with industry standards. Non-executive Directors do not receive performance based bonuses and prior Shareholder approval is required to participate in any issue of equity. No retirement benefits are payable, other than statutory superannuation, if applicable.

Remuneration Policy versus Company Financial Performance

The Company's Remuneration Policy is not directly based on performance, rather on industry practice.

The Company's primary objective is sale of and research and development of medical training simulators.

The Company is working hard so that its performance in terms of earnings may become positive in the next 12 months by leveraging the significant changes initiated by the new board and management team.

Performance-based Remuneration

The purpose of a performance-based bonus is to reward individual and team based performance in line with Company objectives. Consequently, performance-based remuneration is paid to an individual where the individual's performance clearly contributes to a successful outcome for the Company. This is regularly measured by key performance indicators (KPIs).

The Company uses a number of KPIs to determine achievement, depending on the role of the Executive being assessed.

These include:

- successful contract negotiations
- Successful revenue generation
- achievement of project milestones within budget and on time
- Company share price reaching a target on the ASX, UK AIM.

In the current period no performance based remuneration was awarded by the Company.

Company Performance Review

	2009	2008	2007	2006	2005	2004
Profit Performance	\$	\$	\$	\$	\$	\$
Revenue	1,548,383	3,124,696	1,653,977	2,964,201	891,911	242,230
Net loss before tax	(2,464,407)	(5,483,777)	(5,846,322)	(2,850,923)	(1,665,922)	(1,667,746)
Net loss after tax	(2,464,407)	(5,483,777)	(5,846,322)	(2,850,923)	(1,665,922)	(1,667,746)
Key Management Remuneration	516,684	818,533	1,518,769	1,608,881	991,722	645,726

REMUNERATION REPORT (cont.)

	2009 C	2008 C	2007 C	2006 C	2005 C	2004 C
Share Performance						
Share price at the start of year	6.50	29.0	20.0	19.0	38.0	16.0
Share price at the end of year (i)	-	6.50	29.0	20.0	19.0	38.0
Dividend	-	-	-	-	-	-
Basic earnings per share	(2.32)	(5.88)	(6.01)	(5.37)	(8.45)	(6.12)
Diluted earnings per share	(2.32)	(5.88)	(6.01)	(5.37)	(8.45)	(6.12)

(i) The company has been suspended from the Australian Stock Exchange since 4 March 2009. The Company's shares last traded at 4 cents prior to suspension.

Remuneration

Compensation of Key Management Personnel – 2009

	Short-term		Post Employment	Share- based	Total	
	Salary or Base Fees	Other fees	Superannuation Contributions	Equity	Performance Related	Total
Directors	\$	\$	\$	\$	%	\$
Mr Ross Horley	26,667	176,472 ⁱ	3,300	-	-	206,439
Mr Frank Cannavo	26,667	74,167 ⁱⁱ	3,300	-	-	104,134
Professor Patrick Cregan (appointed 28 Jan 2008) (resigned 31 August 2008)	9,861	-	875	-	-	10,736
Mr Thamby Navaratnam (appointed 10 Sept 2008) (resigned 15 July 2009)	23,611	29,700 ⁱⁱⁱ	-	-	-	53,311
Mr. Vince Leone (6 April 2009)	28,900	10,000 ^{iv}	2,601	-	-	41,501
Mr Ponnambalam Sivasubramaniam (appointed 20 May 2009) (resigned 14 August 2009)	-	-	-	-	-	-
Executives						
Mr Adam Legg (appointed 8 Nov 2007) (resigned 28 Oct 2008)	72,630	-	-	-	-	72,630
Mr. Mark Licciardo (appointed 5 November 2008) (resigned 4 September 2009)		27,933 ^v	-	-	-	27,933
	188,336	318,272	10,076	-	-	516,684

In the current period no performance or share based payments were awarded by the company.

- (i) Other fees include consulting fees paid with respect to Ross Horley as former Chief Executive Officer of Medic Vision Health Pty Ltd
- (ii) to (iv) Other fees include consulting fees
- (v) The Other fee was paid to Mark Licciardo for the provision of company secretarial services to the group.

REMUNERATION REPORT (cont.)

Compensation of Key Management Personnel – 2008

	Short-term		Post Employment	Share- based	Total Performance Related ^{vi}	Total
	Salary or Base Fees \$	Other \$	Superannuation Contributions \$	Equity \$	%	
Directors						
Mr Ross Horley	44,000	289,048 ⁱ	3,600	22,306	17%	358,954
Mr Frank Cannavo	44,000	160,000 ⁱⁱ	4,068	22,307	31%	230,375
Professor Michael Reid (resigned 28 Jan 2008)	29,167	-	2,625	-	-	31,792
Professor Patrick Cregan (appointed 28 Jan 2008) (resigned 31 August 2008)	20,833	9,625	1,875	6,866	18%	39,199
Mr. Thamby Navaratnam (appointed 10 Sept 2008)	-	-	-	-	-	-
Executives						
Mr Adam Legg (appointed 8 Nov 2007)	101,648	-	6,565	-	-	108,213
Ms Kathy Pacyga (resigned 8 Nov 2007)	-	50,000 ⁱⁱⁱ	-	-	-	50,000
	239,648	508,673	18,733	51,479	-	818,533

- (i) Other fees include – a bonus of \$40,000 and Consulting fees paid with respect to Ross Horley as Chief Executive Officer of Medic Vision Health Pty Ltd
- (ii) Other fees include – a bonus of \$50,000 and Consulting fees
- (iii) The Other fee was paid to Mitchell Wilson & Partners, a Chartered Accounting firm specialising in the provision of outsourced accounting, company secretarial and consulting services to companies, of which Ms Pacyga is an Associate. Through the fees paid to Mitchell Wilson & Partners, Ms Pacyga was remunerated for her services as Chief Financial Officers.

Option Compensation, Granted and Vested during the Year

Details of vesting profile of the options granted as remuneration to Key Management Personnel.

30 June 2009

During the year ending 30 June 2009 no options were vested or granted to Directors or Executives.

The following options are held by directors and executive:

Directors	Granted No.	Grant Date	Fair Value per option at grant date	Exercise price per option	Expiry Date	First Exercise Date	Last Exercise Date	Vested No.	% remuneration consisting of options for the year
Mr Ross Horley	500,000	2 May 2005	\$0.079	\$0.079	2 May 2010	2 May 2008	2 May 2010	500,000 ⁱ	-
	2,500,000 ⁱⁱ	30 Nov 2007	\$0.177	\$0.177	30 Nov 2012	30 Nov 2007	30 Nov 2012	1,000,000	34.7%
Mr Frank Cannavo	2,500,000 ⁱⁱ	30 Nov 2007	\$0.177	\$0.177	30 Nov 2012	30 Nov 2007	30 Nov 2012	1,000,000	45.8%
Mr Michael Reid (resigned 28 Jan 2008)	-	-	-	-	-	-	-	-	-
Mr Patrick Cregan (appointed 28 Jan 2008) (resigned 31 August 2008)	500,000	28 Feb 2008	\$0.095	\$0.20	28 Feb 2012	28 Feb 2008	28 Feb 2012	500,000	48.1%

Executives

No options were granted to any Executive in the financial year

- i. These options fully vested in prior financial years.
- ii. 1,000,000 will vest immediately on issue. 500,000 will vest if, at any time within 12 months of the issue date of the options, the last sale price of the Company's shares on ASX equals exceeds \$0.35 for 14 consecutive trading days and 1,000,000 will vest if, at any time within 24 months of the issue date of the options, the last sale price of the Company's shares on ASX equals exceeds \$0.45 for 14 consecutive trading days.

The exercise price of the options is \$0.177, being the weighted average sale price of the Company's shares on ASX in the 5 trading days prior to and including 30 November 2007. The final exercise date for the options will be 30 November 2012.

Options Granted as part of Remuneration

The following table summarises the value of options granted, exercised or lapsed during the annual reporting period to the identified Key Management Personnel. The fair value of the options granted as part of remuneration is determined at grant date, and of the options immediately vested, the full value of the option is recognised in remuneration in the current year.

During the reporting period, no shares were issued on the exercise of options previously granted as remuneration.

During the reporting period, options to the value of \$ 89,167 lapsed in relation to options previously issued to Ross Horley as remuneration.

Unissued shares under option

At the date of this report, unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of shares
28 February 2012 ⁱ	\$0.20	500,000
30 November 2012 ⁱ	\$0.177	5,000,000
2 May 2010 ⁱ	\$0.079	500,000
15 December 2009 ⁱⁱ	\$0.30	1,500,000
17 January 2012 ⁱⁱⁱ	\$0.20	8,750,173
		<u>16,250,173</u>

(i) Unlisted options held by directors

(ii) Unlisted options held by previous directors

(iii) Listed options

During or since the end of the financial year no ordinary shares were issued by the company as a result of the exercise of options.

There were no further shares in Medic Vision Limited issued or exercise of up to the date of this report.

Employment Contracts of Directors and Senior Executives

The following Directors and Senior Officers were under contract at 30 June 2009:

	Duration	Notice Required
Directors		
Mr Ross Horley (i)	No fixed term	1 month
Mr Frank Cannavo	No fixed term	1 month
Mr Vince Leone (CEO)	No fixed term	3 months
Executives		
Mr. Mark Licciardo (resigned 4 September 2009)	No fixed term	1 month

(i) Mr. Horley's consulting agreement terminated on 2 May 2008. Following company restructure no fixed term contract was re-negotiated. Mr. Horley resigned effective 2 September 2009.

Signed in accordance with the resolution of the Board of Directors



Indrajit Arulampalam

Executive Chairman
22 October 2009

CORPORATE GOVERNANCE

Introduction

Medic Vision Limited ("Medic Vision" or the "Company") is an Australian Securities Exchange (ASX) listed entity.

The Company aims to maximise returns to its investors by capital appreciation and when profitable, via a declaration of dividends to each shareholder in proportion to their interest in the Company.

The Board of Directors is responsible for establishing the corporate governance framework of the Company and establishing appropriate Corporate Governance policies and procedures having regard to the ASX Corporate Governance Council (CGC) published guidelines as set out in its "Corporate Governance Principles and Recommendations" (Revised Principles, 2nd Edition August 2007). The Board of Directors continues to review the framework and practices to ensure they meet the interests of shareholders.

This Corporate Governance Statement is structured with reference to the CGC's published guidelines containing 8 key principles. The charters and policies described in this Corporate Governance Statement represent a concise version of those charters and policies that have been, or will be adopted by the Board of Directors in line with the CGC's recommendations. Where a CGC recommendation has not been followed, the fact is disclosed, together with reasons for the departure. The Company's Corporate Governance charters and policies can be found on the Company's website, www.medicvision.com.au.

1) Board Charter

(Principle 1: Lay solid foundations for management and oversight)

a) Role of the Medic Vision Board and company management

The Board of Directors of Medic Vision together with management are collectively experienced in the management of listed companies and the

development and management of entities in the medical technology sector.

The Board is responsible for providing strategic guidance and for contributing to the development of the corporate strategy and performance objectives, including the implementation of a business strategy, the annual budget and financial plan, monitoring the Company's financial performance and ensuring that appropriate management is in place to achieve these objectives. The Board appoints the Chief Executive Officer/Managing Director, Chief Financial Officer and Company Secretary. The Board approves and monitors management's corporate strategy and performance objectives for Medic Vision. Under the oversight of the Board's Audit & Risk Committee, the Board monitors risk, compliance and financial reporting. The Board is responsible for approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures of assets.

The Board may delegate to its sub-committees, an officer of a group company, or any other person in authority to perform any of its functions and exercise any of its powers, in the ordinary course of business. This includes the day to day administration of its assets, including ensuring that assets are adequately insured where necessary; that detailed market investigations and effective due diligence is carried out on proposed investments, acquisitions or joint ventures; that capital required to develop the Company's intellectual property, proposed investments or acquisitions as well as general working capital requirements is adequate; and that subject to the responsibility of the Board's Audit & Risk Committee there is effective risk management, financial management and compliance management of the Company's assets.

CORPORATE GOVERNANCE STATEMENT (continued)

(Principle 2: Structure the board to add value)

b) Medic Vision's Board Structure

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Director's Report.

The Board comprises of the following Directors, including Executive and Non-executive Directors:

Mr Indrajit (Jitto) Arulampalam Chairman of Directors (appointed 4 September 2009).

Frank Cannavo, (Independent Non-executive Director, Acting Chairman of Directors until 4 September 2009)

Vince Leone, Chief Executive Officer (Executive Director)

Ross Horley, (Executive Director) (resigned 2 September 2009).

Ponnambalam Sivasubramaniam, (Independent Non-executive Director) (resigned 14 August 2009).

Mr Ratnarajah Navaratnam (Independent Non-executive Chairman of Directors). (resigned 15 July 2009)

In accordance with the CGC's Corporate Governance Principles and Recommendations, the recommendation that no independent Director holds more than 5% of the total shares on issue or that there is no material interest in the company that would impair independence has been met by all Directors.

The Company supports the appointment of Directors who bring a wide range of business and professional skills and experience, details of which are recorded in the Directors' Report accompanying this Corporate Governance Statement. Each Director, with the exception of the Chief Executive officer, has a three year term of office, at the end of which they retire and seek re-election by shareholders.

Pursuant to ASX CGC Principles, each Director has been issued with and signed a Deed of Indemnity,

Insurance and Access Agreement that will protect directors for up to 7 years after their resignation in the event of a legal matter that the Company may face in the future whilst they were a director of the Company.]

Each Director is required to disclose any interest which might create a potential conflict of interest with their duties, as a Director of Medic Vision, or which would affect their independence.

In order for Directors to bring independent judgement to bear in decision making, Directors have the right to obtain independent professional advice, if necessary, at the Company's expense.

2) Code of Conduct and Conflicts of Interest

(Principle 3: Promote ethical and responsible decision making)

a) Conduct of Management

The Board of Medic Vision is committed to its Code of Conduct. This is communicated to management and requires staff to adhere to the core values, together with a number of other key attributes that have been identified as being imperative to the success of Medic Vision.

Employees must comply with all laws and regulations. This includes understanding the laws and regulations relevant to their work and complying with the legal requirements of the jurisdictions in which they operate.

Employees should not engage in activities or hold or trade assets that involve, or could appear to involve, a conflict between their personal interests and the interests of the Company.

Management is responsible to the Board for the Company's performance under this Code, and has operational responsibility for ensuring compliance with the Code.

The Code of Conduct aims to promote ethical and responsible decision making. The Code of Conduct requires all employees to exhibit honesty, loyalty, integrity, professionalism and trust in their dealings, both internally and externally. Medic Vision aims for good corporate governance and in summary, requires employees to:

- avoid situations which may give rise to a conflict of interest;

CORPORATE GOVERNANCE STATEMENT (continued)

- avoid situations where they may profit from their position with the Company and gain any benefit which competes with Medic Vision's business;
- comply with all laws and regulations and Company policies and procedures;
- not undertake activities inconsistent with their employment with Medic Vision;
- properly use Medic Vision's assets for legitimate business purposes; and
- maintain privacy and confidentiality in both Medic Vision's business and the information of all its stakeholders.

The Company has developed a Whistleblower Policy that offers Company officers, employees, independent contractors and their employees the opportunity to bring to the attention of management, conduct which is corrupt, illegal or unethical, without fear of revenge, dismissal or discriminatory treatment.

The Board has resolved that the Code of Conduct extends to guide compliance with legal and other obligations with respect to stakeholders.

b) Conflicts of Interest

The Board of Medic Vision is committed to good corporate governance and aims for continuous improvement in these practices. Medic Vision embraces high ethical standards and requires its employees to demonstrate both personal and corporate responsibility. Directors, officers and employees are required to safeguard the integrity of the Company and to act in the best interests of its stakeholders, generally shareholders.

There must be no conflict, or perception of a conflict, between the interests of any Medic Vision Director, officer or employee and the responsibility of that person to the Company and to the stakeholders. All Medic Vision Directors, officers and employees may never improperly use their position for personal or private gain for themselves, a family member, or any other person ("associates").

As a general rule, a conflict of interest, or the perception of a conflict, may arise if their duties involve any actual or potential business with a

person, entity or organisation in which they or their associates have a substantial personal or financial interest. Accordingly, the following rules apply:

- Without prior Board approval, Directors, officers and employees may not act on behalf of Medic Vision in connection with any business or potential business involving any person, entity or organisation in which they or their associates have direct or indirect managerial influence (such as serving as an Executive Officer, Director, general partner or similar position or holding a substantial ownership or beneficial interest); and
- Where a potential conflict exists, this should be disclosed to the Chairman prior to any dealings taking place.

3) Audit & Risk Committee

(Principle 4: Safeguard integrity in financial reporting)

The Company has established an Audit & Risk Committee which comprises two directors. As such this principle is not fully met but, having due regard for the current Directors' core competencies, the Board feels this Committee's composition is the most appropriate given the current stage of the Company's development.

a) Purpose

The Audit & Risk Committee plays a key role in assisting the Board of Directors with its responsibilities relating to accounting, developing internal control systems, reporting practices and risk management; and ensuring the independence of the Company Auditor. The Charter for this Committee incorporates policies and procedures to ensure an effective focus from an independent perspective.

The Audit & Risk Committee oversees and appraises the quality of the audits conducted by the Auditors of the Company. PKF Chartered Accountants are the currently appointed Auditor of Medic Vision. Their appointment will be reviewed periodically. Medic Vision believes in the ongoing assessment of its audit arrangements and complies with any regulatory requirements to rotate its external audit partner.

The Audit & Risk Committee includes in its Charter a review of the effectiveness of administrative, operating and accounting controls.

CORPORATE GOVERNANCE STATEMENT (continued)

Meetings of the Committee are held a minimum of twice per annum, represented by meetings for the full-year and half-year financial accounts review, approval and recommendation to the Board. Further meetings may be held for discussion on policies and procedures and risk management matters. The Auditors of the company, PKF Chartered Accountants, are also invited to make recommendations to the Committee on policies and procedures for discussion.

Following a recommendation by the Committee to the Board of Directors to approve the Annual and Half Year Financial Accounts, the Chief Executive Officer and Chief Financial Officer state in writing to the Board that the Company's Financial Reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards; and that this statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

The Company has adopted an Audit Independence Policy which identifies non-audit services that Medic Vision considers can be provided and services that cannot be provided by its external auditor.

b) Composition

Medic Vision's Audit & Risk Committee follows each of the principles listed below wherever possible:

- An independent Chairperson, who is not Chairperson of the Board and is a qualified accountant or has significant experience in the financial industry; and
- Has at least three members
- As noted above however, currently the Committee is not comprised only of independent non-executive Directors, for the reasons previously outlined.

Frank Cannavo	(Independent Non-executive Director)
Vince Leone	Chief Executive Officer (Executive Director)
Ponnambalam Sivasubramaniam	(Independent Non-executive Director) (appointed 20 May 2009) (resigned 14 August 2009)

Members of the Committee are:

There were two meetings held during the reporting period.

4) Continuous Disclosure Policy

(Principle 5: Make timely and balanced disclosure)

Medic Vision's Continuous Disclosure Policy is designed to promote transparency and investor confidence and ensure that all interested parties have an equal opportunity to obtain information which is issued by Medic Vision. The Company is committed to complying with the continuous disclosure obligations contained in the listing rules of the Australian Securities Exchange (ASX) and under the Corporations Act, and ensuring that all shareholders and the market have an equal opportunity to obtain and review full and timely information about Medic Vision's securities.

The ASX defines continuous disclosure in its Listing Rules as "the timely advising of information to keep the market informed of events and developments as they occur". The Listing Rules and the Corporations Act require that a listed entity disclose to the market matters which a reasonable person would expect to have a material effect on the price or value of the entity's securities. A reasonable person is taken to expect information to have a material effect on the price or value of securities if it would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the securities.

The Chief Executive Officer controls all of Medic Vision's communications with assistance from the Company Secretary in carrying out this responsibility. The Chief Executive Officer and

CORPORATE GOVERNANCE STATEMENT (continued)

Chairman are the only two officers authorised to approve the release of material information to the market. The Company Secretary is responsible for administering this policy and is responsible for dealing with the ASX in relation to all listing rule issues.

The procedures which have been developed to comply with these rules include immediate reporting of any matter which could potentially have a material effect, via established reporting lines to the Chief Executive Officer and/or the Company Secretary.

Disclosure of such price-sensitive information to the ASX must not be delayed and is disclosed, in the first instance, to the ASX with disclosures to the market then being placed on Medic Vision's website, www.medicvision.com.au. Material information must not be selectively disclosed (i.e. to analysts, the media or shareholders) prior to being announced to the ASX, and all media releases must be referred to the Chief Executive Officer for approval prior to any release.

5) Trading Policy

Medic Vision's Share Trading Policy ensures that unpublished price sensitive information about the Company is not used in an unlawful manner. The main provisions of this policy are governed by:

- the specific requirements of the Corporations Act;
- a prohibition of short term trading in Medic Vision shares;
- when Directors and employees may trade in Medic Vision shares; and
- prior notification by Directors, officers and employees of their intention to deal in Medic Vision shares.

A summary of the Policy is as follows:

Trading of securities by Directors, officers and employees is only allowed when he or she is **not** in possession of price sensitive information that is not generally available to the market.

As it is assumed that Directors and senior management are likely to be in possession of unpublished price sensitive information concerning the Company by virtue of their position within the Company, those persons and their associates may only trade in the Company's securities during a period of 28 days, commencing 48 hours after the announcement of the following:

- **the half-yearly financial results;**
- **the annual financial results; and**
- **the holding of a shareholders' meeting.**

In addition, Directors, officers and employees must notify the Company Secretary when a trade has occurred.

6) Shareholder Communications

(Principle 6: Respect the rights of shareholders)

Medic Vision's communication strategy is to promote effective communication with shareholders.

Medic Vision is committed to:

- ensuring that shareholders and the financial markets are provided with full and timely information about Medic Vision's activities in a balanced and understandable way;
- complying with continuous disclosure obligations contained in the applicable Australian Securities Exchange (ASX) Listing Rules and the Corporations Act in Australia; and
- communicating effectively with its shareholders and making it easier for shareholders to communicate with the Company.

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

- through the release of information to the market via the ASX;
- through the distribution of the Annual Report and Notices of Annual General Meetings;
- through shareholder meetings;
- through letters and other forms of communications directly to shareholders;
- by posting relevant information on Medic Vision's website; and

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CORPORATE GOVERNANCE STATEMENT (continued)

- by providing shareholders with a choice of information delivery options ie. paper or electronic means

The Company's website, www.medicvision.com.au, has a dedicated Investor section and endeavours to publish on the website all important Company information and relevant announcements made to the market or refer investors to the ASX website where market releases can be viewed.

The external Auditors are requested to attend the Annual General Meeting and are available to answer shareholders' questions about the conduct of the audit and preparation of the Auditor's Report.

7) Risk Management System Statement

(Principle 7: Recognise and manage risk)

The Board of the Medic Vision takes a proactive approach to the Company's risk management and internal compliance and control system. This function is dealt with by the Audit & Risk Committee.

The Audit & Risk Committee is responsible for ensuring that risks and mitigation of these risks are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Committee and the Board of Directors.

The Company is in the process of developing a policy on risk oversight and management and will undertake a detailed risk assessment of the company's operations, procedures and processes.

The Risk Assessment will be aimed at identifying the following:

- a culture of risk control and the minimisation of risk throughout the Company, which will be carried out by following documented risk identification and reporting as well as through natural or instinctive processes by employees of the Company;

- a culture of risk control that can easily identify risks as they arise and amend practices;
- the installation of practices and procedures in all areas of the business that are designed to minimise an event or incident that could have a financial or other effect on the business and its day to day management; and
- adoption of practices and procedures to minimise many of the standard commercial risks, i.e., taking out the appropriate insurance policies and ensuring compliance reporting is up to date.

The Company will identify and structure its risk analysis and intends to implement and demonstrate regular risk management controls reporting to the Board via the Audit & Risk Committee.

8) Board Remuneration and Appointment Policies

(Principle 8: Remunerate fairly and responsibly)

The Company has established a Remuneration Committee, comprising of non-executive Directors and executive Directors as indicated in the table below. The Committee is responsible for determining and reviewing compensation arrangements for the Directors and for approving parameters within which the review of the compensation arrangements for the senior executive team can be conducted by the Chief Executive Officer. The Committee aims to meet at least once per calendar year.

Members of the Committee are:

Frank Cannavo	Independent Non-executive Director
Vince Leone	Chief Executive Officer (Executive Director)
Ponnambalam	Independent
Sivasubramaniam	Non-executive Director) (appointed 20 May 2009) (resigned 14 August 2009)

No meetings were held during the reporting period.

The Committee is established to monitor and review:

- the remuneration arrangements for the Chief Executive Officer and other executive directors and set parameters within which the Chief Executive Officer will review arrangements for other senior executives;
- the remuneration policies, personnel practices and strategies of the Company generally;

- any employee incentive schemes;
- the remuneration arrangements for non-executive Directors;
- the size and composition of the Board and criteria for Board membership; and
- the membership of the Board and candidates for consideration by the Board.

All remuneration and superannuation for Directors, officers and employees are paid by the Company.

The Nominations function is also dealt with by this Committee.

The Board is responsible for the Performance Evaluation of the members of the Board and key executives against both measurable and qualitative indicators.

The Chairman will undertake an annual assessment of the performance of individual Directors and meet privately with each Director to discuss this assessment.

INCOME STATEMENT

For the year ended 30 June 2009

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Revenue from sale of goods		1,087,570	1,479,818	-	-
Revenue from rendering of services		97,464	390,802	-	-
Finance revenue	4a	11,760	83,305	3,467	390,346
Other Income	4b	351,589	1,260,771	-	1,240,234
TOTAL REVENUE		1,548,383	3,214,696	3,467	1,630,580
Cost of goods sold	5a	(878,621)	(1,291,651)	-	-
Employee benefits expenses	5b	(1,041,313)	(1,546,984)	(12,244)	(171,163)
Employee expense – share based payments		-	(51,479)	-	(51,479)
Research and development expenses		(206,499)	(656,886)	-	-
Depreciation, amortisation and impairment charges	5c	(268,695)	(2,897,197)	(8,582)	(3,096,116)
Consulting fees		(78,155)	(103,035)	(14,167)	(62,000)
Directors expenses		(166,647)	(324,828)	(92,480)	(216,078)
Legal and other professional fees		(296,367)	(191,501)	(171,740)	(159,191)
Regulatory listing fees		(164,195)	(94,272)	(161,360)	(94,272)
Occupancy expenses		(186,057)	(214,226)	(4,918)	(68,501)
Travel expense		(352,894)	(590,571)	(86,557)	(48,768)
Reversal of provision for doubtful trade debts		200,704	-	-	-
Provision for doubtful recovery of loans to controlled entity		-	-	(1,344,112)	(2,364,857)
Provision for impairment of Investments		-	-	(190,362)	-
Finance costs		(14,914)	(4,947)	(9,991)	-
Other expenses	5d	(638,921)	(730,896)	(299,860)	(215,959)
(Loss) before Income Tax		(2,544,191)	(5,483,777)	(2,392,906)	(4,917,804)
Income Tax Expense	6	-	-	-	-
(Loss) from continuing operations		(2,544,191)	(5,483,777)	(2,392,906)	(4,917,804)
Loss attributable to minority interest		79,784	-	-	-
Net (Loss) attributable to members of the Parent Entity		(2,464,407)	(5,483,777)	(2,392,906)	(4,917,804)
Overall operations					
Basic (loss) per share (cents per share)	8	(\$0.0232)	(\$0.0588)		
Diluted (loss) per share (cents per share)	8	(\$0.0232)	(\$0.0588)		

The above Income Statement should be read in conjunction with the accompanying notes.

BALANCE SHEET

As at 30 June 2009

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Assets					
Current assets					
Cash and cash equivalents	9	737,197	466,091	522,477	141,989
Trade and other receivables	10	391,839	569,659	24,141	189,444
Inventories	11	72,018	223,490	-	-
Other financial assets	12	-	980,420	-	980,420
Other current assets	14	36,289	40,783	3,047	11,136
Total current assets		1,237,343	2,280,443	549,665	1,322,989
Non-current assets					
Other financial assets	12,13	-	-	576,568	759,819
Property, plant and equipment	15	440,427	486,463	1,668	46,266
Intangible assets	16	-	-	-	-
Total non-current assets		440,427	486,463	578,236	806,085
Total assets		1,677,770	2,766,906	1,127,901	2,129,074
Current liabilities					
Trade and other payables	17	642,525	640,175	192,573	70,176
Short-term provisions	18	70,139	66,273	-	-
Total current liabilities		712,664	706,448	192,573	70,176
Non-current liabilities					
Other long-term provisions	18	-	1,564	-	-
Financial liabilities	19	640,751	-	640,751	-
Total non-current liabilities		640,751	1,564	640,751	-
Total liabilities		1,353,415	708,012	833,324	70,176
Net assets		324,355	2,058,894	294,577	2,058,898
Equity					
Issued capital	20	22,630,610	21,756,920	22,630,610	21,756,920
Reserves	22	(59,470)	114,130	-	245,105
Accumulated losses		(22,276,563)	(19,812,156)	(22,336,033)	(19,943,127)
Total Parent Entity Interest		294,577	2,058,894	294,577	2,058,898
Add: Minority Interest		29,778	-	-	-
Total equity		324,355	2,058,894	294,577	2,058,898

The above Balance Sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30th June 2009

	Note	Issued Capital \$	Retained Earnings \$	Available for Sale Financial Asset Reserve \$	Foreign Currency Translation Reserve \$	Minority Interest \$	Total \$
Consolidated group							
Balance at 1 July 2007		21,823,472	(14,328,379)	700,000	(75,579)	-	8,119,514
(Loss) Attributable to members of Parent Entity		-	(5,483,777)	-	-	-	(5,483,777)
Cancellation of buy back shares		(157,531)	-	-	-	-	(157,531)
Share based payments		90,979	-	-	-	-	90,979
Transfer to foreign currency translation reserve		-	-	-	(55,396)	-	(55,396)
Shares held in listed companies		-	-	(454,895)	-	-	(454,895)
Balance at 30 June 2008		21,756,920	(19,812,156)	245,105	(130,975)	-	2,058,894
(Loss) Attributable to members of Parent Entity		-	(2,464,407)	-	-	-	(2,464,407)
Issue of ordinary shares		100,000	-	-	-	-	100,000
Capital raising costs		(16,500)	-	-	-	-	(16,500)
Equity portion of convertible notes	19(i)	23,260	-	-	-	-	23,260
Transfer to foreign currency translation reserve		-	-	-	71,505	-	71,505
Disposal of available for sale financial asset		-	-	(245,105)	-	-	(245,105)
Consideration for acquisition of Red Paragon Pty Ltd	13	766,930	-	-	-	-	766,930
Minority Interest at the date of acquisition of Red Paragon Pty Ltd		-	-	-	-	29,778	29,778
Balance at 30 June 2009		22,630,610	(22,276,563)	-	(59,470)	29,778	324,355

	Note	Issued Capital \$	Retained Earnings \$	Available for Sale Financial Asset Reserve \$	Foreign Currency Translation \$	Total \$
Parent Entity						
Balance at 1 July 2007		21,823,472	(15,025,323)	700,000	-	7,498,149
(Loss) Attributable to members of Parent Entity		-	(4,917,804)	-	-	(4,917,804)
Cancellation of buy back shares		(157,531)	-	-	-	(157,531)
Cost of share-based payments		90,979	-	-	-	90,979
Revaluation of shares held in Limited Company		-	-	(454,895)	-	(454,895)
Balance at 30 June 2008		21,756,920	(19,943,127)	245,105	-	2,058,898
(Loss) Attributable to members of Parent Entity		-	(2,392,906)	-	-	(2,392,906)
Issue of ordinary shares		100,000	-	-	-	100,000
Capital raising costs		(16,500)	-	-	-	(16,500)
Equity portion of convertible notes	19(i)	23,260	-	-	-	23,260
Consideration for acquisition of Red Paragon Pty Ltd	13	766,930	-	-	-	766,930
Disposal of available for sale financial asset		-	-	(245,105)	-	(245,105)
Balance at 30 June 2009		22,630,610	(22,336,033)	-	-	294,577

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

For the year ended 30 June 2009

Note	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	1,598,014	2,329,122	8,467	-
Interest received	11,760	83,305	-	75,175
Other receipts – grant income	18,371	70,000	-	-
Payments to suppliers and employees	(3,448,572)	(6,015,863)	(503,225)	(1,100,820)
Net cash provided by (used in) operating activities	25 (1,820,427)	(3,533,436)	(494,758)	(1,025,645)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of property, plant and equipment	-	36,965	250	2,074
Purchase of property, plant and equipment	(13,605)	(51,740)	-	(9,232)
Proceeds from disposal of available for sale assets	660,950	1,837,553	660,950	1,837,553
Cash acquired on acquisition of subsidiary	13 287,708			
Net cash provided by (used in) investing activities	935,053	1,822,778	661,200	1,830,395
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	100,000	-	100,000	-
Share buy back	-	(157,531)	-	(157,531)
Capital raising costs	(16,500)	-	(16,500)	-
Proceeds from Convertible Notes issues	19 673,980		673,980	
Loans to controlled entities	-	-	(543,434)	(2,809,505)
Loans from controlled entities	399,000	-	-	-
Net cash provided by (used in) financing activities	1,156,480	(157,531)	214,046	(2,967,036)
Net increase / (decrease) in cash held	271,106	(1,868,189)	380,488	(2,162,286)
Cash at beginning of financial year	466,091	2,334,280	141,989	2,304,275
Cash at end of financial year	10 737,197	466,091	522,477	141,989

The above cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Statement of Significant Accounting Policies

The financial report of Medic Vision Limited (the Company) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 22 October 2009.

Medic Vision Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange.

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

Note 2. Statement of Significant Accounting Policies

a. Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments and available for sale financial assets, which have been measured at fair value.

The financial report is presented in Australian dollars.

b. Going concern

For the year ended 30 June 2009 the company and the consolidated entity incurred a loss for the year ended 30 June 2009 of \$2,392,906 and \$2,464,407 respectively and had net cash outflows from operating activities amounting to \$494,758 and \$1,820,427 respectively. Furthermore, the consolidated entity's has no regular source of income. It is reliant on equity capital and/or loans from third parties or the proceeds of either partial sale or farm-out of its permit interests to meet its operating costs. These conditions indicate a material uncertainty that may cast significant doubt about the company and the consolidated entity's ability to continue as going concerns.

The ability of the company and the consolidated entity to continue as going concerns is dependent upon a number of factors, one being the continuation and availability of funds. As at 30 June 2009 the company and consolidated entity had net current assets of \$357,092 and \$524,679 respectively.

The consolidated entity is expecting to fund ongoing obligations beyond this working capital position. The company has raised \$848,980 via a convertible note issue completed subsequent to balance date. In addition to the fund raising, the Directors have implemented a re-structure of the business and enacted the following:

- ☐ Continued reductions of the overheads of the Company and concentration on core business of simulator sales and installation;

The company has reduced staff (by 75%) and operational costs in the reduction of non-core staff/consultants and the rationalisation of product development expenditure. This is in line with the company's direction to focus on simulator products but not to develop new products unless fully funded by external parties or grants. The company migrated key full time sales staff to a commission only remuneration basis for a period then transitioned them to a base salary plus commission remuneration basis in Australia, United Kingdom and China/Hong Kong – Medic Visions key simulator sales markets.

The Company has recently completed a significant sale within Australia to the value of \$457,000 excluding GST. The company also has other significant sales within its sales pipeline over the next twelve months that have strong chance of success to underpin the cashflow forecast.

- ☐ Increased operating revenue from roll – out of medical training centres;

The company is in the process of planning deployment of training courses in India, China and the UK. The deployment has been re-scheduled to mid 2010. The process of delivering medical and surgical education in key regions such as India, China and the UK will transform the company from a consultancy, equipment supplier to a full service delivery company with ongoing revenue from charging each training participant.

- ☐ Reduction of simulator manufacturing costs;

The company has scaled down its product development activities to the extent that all new simulator projects shall be fully funded by sales, external parties or grants. Continuous upgrading and enhancement of the company's existing Mediseus temporal bone drilling simulator and epidural simulator will continue with consultants remunerated on a fixed scope and cost basis wherever necessary and possible.

- ☐ Securing additional equity and or funding.

The company is in continuous discussions with a number of funding entities in regard to furthering the company business in particular the future roll-out of the training centres within India and China.

- ☐ Increasing Sales

The company is also pursuing distributorships for its simulation products around the world to increase sales revenue. Further agencies are being sought in Asia Pacific, Europe (east and west), Africa, USA and South America.

Cash flow forecasts prepared by management demonstrate that the company and the consolidated entity have sufficient cash flows to meet their commitments over the next twelve months based on the above factors and for that reason the financial statements have been prepared on the basis that the company and the consolidated entity are going concerns, which contemplates the continuity of normal business activity, realisation of assets and the settlement of liabilities in the normal course of business.

Should the company and the consolidated entity be unable to continue as going concerns, they may be required to realise their assets and extinguish their liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessarily incurred should the company and the consolidated entity not continue as going concern..

c. Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with IFRS.

Adoption of New and Revised Accounting Standards

Adoption of new and revised standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

Early adoption of Standards

Certain new accounting standards and interpretations have been published that are not mandatory for the financial year ended 30 June 2009 but are available for early adoption. The group has not early adopted the following accounting standards in preparing this financial report. The Group's assessment of these new standards is set out below.

AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8* potentially change the composition of operating segments which must be based on the internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, in order to allocate resources to the segment and to assess its performance. These potential changes in the definition of reportable segments will have implications for the definition of cash generating units and therefore impairment testing of goodwill under AASB 136 *Impairment of Assets*. Potential changes to the Group's operating segments are not expected to have a material impact on the reported results of the Group.

AASB 3 *Business Combinations*, AASB 127 *Consolidated and Separate Financial Statements* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* change the treatment of several aspects of acquisition accounting which would impact the reported results and the financial position of the Group in respect of acquisitions made after 1 July 2009.

AASB 2008-1 *Amendments to Australian Accounting Standard – Share Based Payments: Vesting Conditions and Cancellations* clarifies the treatment of vesting conditions and cancellations in AASB 2 *Share Based Payments*. These clarifications are not expected to have a material impact on the reported results and the financial position of the Group.

AASB 101 *Presentation of Financial Statements* (September 2007). The changes affect disclosure only and have no impact on the reported results or the financial position of the Group.

d. Basis of consolidation

The consolidated financial statements comprise the financial statements of Medic Vision Limited and its subsidiaries ('the Group') as at 30 June each year. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

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

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

Minority interests not held by the Group are allocated their share of net profit after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from parent shareholders' equity.

e. Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and

returns that are different to those of other business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

f. Foreign currency translation

i. Functional and presentation currency

Both the functional and presentation currency of Medic Vision Limited and its Australian subsidiaries are Australian dollars (\$).

The functional currency of the foreign subsidiaries Medic Vision UK is Great British Pounds and for Medic Vision P/te is Hong Kong Dollars. As at reporting date the assets and liabilities of these subsidiaries are translated into the presentation currency of Medic Vision Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the retranslation are taken directly to a separate component of equity.

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

ii. Transactions & balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of

exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

g. Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

h. Trade and other receivables

Trade receivables, which generally have 7 - 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

i. Inventories

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

Costs incurred in bringing each product to its present location and condition, are accounted for as follows:

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

j. Investments and other financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

i. Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held

for trading are recognised in profit or loss.

ii. Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

iii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

iv. Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

k. Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset.

The depreciation rates used are as follows:

Class of Fixed Asset	Depreciation Rate
Computer Equipment	25 – 40%
Furniture and Fittings	1 – 20%
Plant and Equipment	10 – 33%
Medical Equipment	15%
Fitout Assets	7.5%

i. Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being

estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the income statement in the depreciation and amortisation expenses.

ii. De-recognition and disposal

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

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

I. Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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 property 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 charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

m. Goodwill and intangibles

i. Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to

each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 114 Segment Reporting.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

ii. Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

n. Trade and other payables

Trade payables and other payables are carried at amortised cost and 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.

o. Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

p. Provisions and employee leave benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

- i. Wages, salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in short terms provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.
- ii. Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.
- iii. Superannuation
Payments are made to employee defined contribution superannuation plans and are charged as expenses when incurred. The Group and its controlled entities have no legal obligation to cover any shortfall in the plan's obligation to provide benefits to employees on retirement.

q. Share-based payment transactions

- i. Equity settled transactions:
The Group provides benefits in the form of share-based payments to all employees. To date however, only key management personnel of the Group have benefited from this plan. These KMP's render services in exchange for shares or rights over shares (equity-settled transactions).

There is currently one plan in place to provide these benefits:

- the Employee Share Option Plan (ESOP), which provides benefits to key management personnel.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value for options granted are determined by using the Black Scholes model or determined by an external valuer using a binomial model, further details are given in Note 20.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Medic Vision Limited (market conditions) if applicable. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting date has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 8).

r. Contributed Equity

Ordinary share capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received. Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

s. Revenue Recognition

Revenue is recognised to the extent that 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:

i. **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.

ii. **Rendering of Services**

Revenue for the services delivered by the Group such as outsourcing management services. These services are recognised on completion of the delivery of the service.

iii. **Commission**

Revenue is recognised upon the sale of goods at the time of sale.

iv. **Interest income**

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

t. **Income tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

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

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

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

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

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

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

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Medic Vision Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2006.

The head entity, Medic Vision Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The group has applied the "separate tax payer within the group approach" in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

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

u. **Other taxes**

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

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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

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

v. **Earnings per share**

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

w. Significant accounting judgements, estimates and assumptions

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, 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 judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

i. Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of goodwill and Intangibles

The Group determines whether goodwill and intangibles are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill, is discussed in Note 16.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value options granted is determined by using the Black Scholes model using the assumptions included in Note 20.

Recovery of deferred tax assets

Deferred tax assets for deductible temporary differences have not been recognised as management considers that it is not currently probable that future taxable profits will be available to utilise the temporary differences.

x. Impairment of financial assets

i. Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

y. Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Note 3 Financial risk management objectives and policies

The Group's principle financial instruments comprise receivables, payables and cash and short term deposits.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risk to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Aging analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Chief Executive Officer under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for credit allowances, and future cash flow forecast projections.

Risk Exposures and Responses

Interest rate Risk

The Group's exposure to market interest rate related primarily to the Group's cash deposits. As disclosed in Note 9.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian Variable interest rate risk that are not designated in cash flow hedges:

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Financial Assets				
Cash & cash equivalents	737,197	466,091	522,477	141,989
Net exposure	737,197	466,091	522,417	141,989

For the Financial Year there were no Financial Liabilities exposed to interest rate risk.

The directors have reviewed the Groups exposure to interest rate risk and do not consider it to be significantly impacted by sensitivity to interest rate movements.

Foreign Currency Risk

At 30 June 2009, the Group had the following exposure to foreign currency that is not designated in cash flow hedges:

	Consolidated		Parent	
	2009	2008	2009	2008
	AUS\$	AUS\$	AUS\$	AUS\$
Financial Assets				
Cash & cash equivalents - GB£	31,057	298,343	72	128
Cash & cash equivalents - US\$	2,544	3,876	-	-
Trade and other receivables - Euro	4,248	136,811	-	-
Trade and other receivables - US\$	2,580	158,353	-	-
Trade and other receivables - S\$	12,864			
Trade and other receivables - MYR	32,148			
Financial Liabilities				
Trade and other payables - GB£	(17,871)	(310,508)	(17,871)	(5,857)
Trade and other payables - US\$	(8,968)			
Trade and other payables - Euro	(163,878)	(307,484)	-	-
Net exposure	(105,276)	(20,609)	(17,799)	(5,729)

The directors have reviewed the Groups exposure to foreign exchange currency risk and do not consider it to be significantly impacted by sensitivity to foreign exchange rate movements.

The group has exposure to foreign currency risk through its operations in Asia and United Kingdom. It also has exposure to foreign exchange risk through acquisition of investors that is denominated in foreign currency. The group mitigate the risk by completing the foreign currency transactions on a timely basis to reduce exposure to movements in exchange rates

Note 3 Financial risk management objectives and policies (Cont'd.)

Price Risk

The Group exposure to equity securities price risk is as a result of Assets Held for Sale. Equity securities price risk arises from investment in equity securities. The equity investments are policy traded on the ASX.

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Financial Assets				
Available for sale financial assets	-	980,420	-	980,420
Net exposure	-	980,420	-	980,420

For the Financial Year there were no Financial Liabilities exposed to interest rate risk

The following sensitivity is based on the price risk exposures in existence at the balance sheet date:

At 30 June 2009, had the price moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:

	Post tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2009	2008	2009	2008
	\$	\$	\$	\$
Consolidated				
+10%	-	-	-	98,042
-5 %	-	-	-	(49,021)
Parent				
+10%	-	-	-	98,042
-5 %	-	-	-	(49,021)

Credit Risk

Credit risk arises from the financial assets of the group, which comprise cash and cash equivalents, trade and other receivables, available-for-sale financial assets. The Group's exposure to credit risk arises from potential default of the counter party, with maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitize its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. The risks are regularly monitored.

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

Fair value

The method for estimating fair value is outlined in the relevant notes to the financial statements.

Note 4 Revenue

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
4a Finance revenue				
Wholly-owned Controlled Entities	-	-	-	315,171
Other	11,760	83,305	3,467	75,175
	11,760	83,305	3,467	390,346
4b Other Income				
Grant Income	-	36,333	-	-
R&D Tax Refund	240,882	-	-	-
Commission	103,754	-	-	-
Gain on sale of Assets held for sale	-	1,239,660	-	1,239,660
Other	6,953	(15,222)	-	574
	351,589	1,260,771	-	1,240,234

Note 5 Expenses

		Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
5a	Cost of goods sold				
	Cost of goods	850,869	1,093,366	-	-
	Cost of rendering services	27,752	198,285	-	-
		878,621	1,291,651	-	-
5b	Employee benefits expense				
	Salaries	874,603	1,317,492	2,119	118,203
	Superannuation	75,016	89,573	-	8,990
	Termination Payment and Other	91,694	139,919	10,125	43,970
		1,041,313	1,546,984	12,244	171,163
5c	Depreciation, amortisation & impairment				
	Depreciation	207,661	193,805	8,582	13,932
	Amortisation & Impairment	61,034	2,708,755	1,534,474	3,082,184
		268,695	2,897,197	1,543,056	3,096,116
5d	Other expenses				
	Advertising and marketing	31,602	199,750	-	155,948
	Foreign Exchange (Gain)/Loss	114,773	1,014	(8,870)	(1,717)
	Insurance	41,123	51,004	19,540	29,782
	Telecommunication	100,173	109,784	135	-
	Loss on sale of asset held for sale	241,156	-	241,156	-
	Other expenses	110,094	369,344	47,899	31,946
		638,921	730,896	299,860	215,959

Note 6 Income Tax Expense

The consolidated entity and parent have not recognised any deferred tax assets or liabilities in respect to the current year. (2008: nil)

There are unrecognised deferred tax assets arising from tax losses. The benefit of losses is not brought to account as realisation is not currently regarded as probable. These losses will only be available for recoupment if:

- (i) The Group derives future assessable income of a nature and of an amount sufficient to enable the benefits from the deduction for the losses to be realised;
- (ii) the Group continues to comply with the conditions for deductibility imposed by the law; and
- (iii) No changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

Tax Consolidation

Medic Vision Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidation group from 1 July 2006 under the tax consolidation regime. Medic Vision Limited is the head entity of the consolidated group.

Note 6 Income Tax Expense (Cont.)

		Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
(a)	Reconciliation between prima facie tax on loss from ordinary activities to statutory income tax expense				
	Prima facie tax (benefit) on loss from ordinary activities before income tax at 30% (2008: 30%)	(739,322)	(1,645,133)	(717,872)	(1,475,341)
	Add:				
	Tax effect of:				
	Non-deductible items	225,009	814,441	20,976	1,636,170
		(514,313)	(830,693)	(696,896)	160,829
	Less:				
	Tax effect of:				
	Losses Carried Forward Not Recognised	514,313	830,693	696,896	(160,829)
	Income tax expense	-	-	-	-
(b)	The Directors estimate that the potential deferred tax asset in respect of tax losses not brought to account is: A full assessment of the availability of these losses to the company has not been made.	4,597,783	4,083,470	3,310,228	2,613,332

Note 7 Auditor's Remuneration

		Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Remuneration of the auditor of the parent entity for:					
-	Auditing or Reviewing the Financial Report	42,000	49,000	42,000	49,000
		42,000	49,000	42,000	49,000

There were no non-audit services provided during the reporting period (2008: Nil).

Note 8 Earnings per Share

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

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

		Consolidated Group	
		2009	2008
		\$	\$
The following reflects the income and share data used in the basic and diluted earnings per share computations:			
Net loss attributable to ordinary equity holders of the parent		(2,464,407)	(5,483,777)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted EPS		No.	No.
		106,408,959	93,281,874
Weighted average number of share options excluded from the calculation of diluted EPS because they are anti-dilutive, which could potentially dilute basic EPS in the future		16,250,173	16,750,173
There have been no other transactions involving ordinary shares or potential ordinary shares of the Company between the reporting date and the date of completion of these financial statements.			

Note 9 Cash and Cash Equivalents

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash at bank and in hand	737,197	466,091	522,477	141,989
	737,197	466,091	522,477	141,989

Reconciliation to Cash Flow Statement

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	737,197	466,091	522,477	141,989
	737,197	466,091	522,477	141,989

Note 10 Trade and Other Receivables

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
CURRENT				
Trade receivables	69,361	333,449	-	-
Allowance for impairment loss (a)	(1,680)	(159,899)	-	-
	67,681	173,550	-	-
Proceeds due from sale of assets classified as held for sale	-	166,792	-	178,135
Other receivables (including government grants plus R&D tax offsets)	243,969	218,008	-	-
Goods and Services Tax	80,189	11,309	24,141	11,309
	391,839	569,659	24,141	189,444

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. Allowances for impairment loss of \$1,680 (2008: \$159,899) has been recognised by the Group in the current year. These amounts have been included in the depreciation, amortisation & impairment expense item.

Movement in the provision for impairment loss were as follows:

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
At 1 July	159,899	-	-	-
Change for the year	(158,219)	159,899	-	-
At 30 June	1,680	159,899	-	-

Note 10 Trade and Other Receivables (Cont.)

At 30 June, the ageing analysis of trade receivables is as follows:

		Total	0-30 Days	31-60 Days	61-90 days PDNI*	61-90 Days CI*	+91 days PDNI*	+91 days CI*
		\$	\$	\$	\$	\$	\$	\$
2009	Consolidated	67,681	16,421	34,148	-	-	17,112	-
	Parent	-	-	-	-	-	-	-
2008	Consolidated	333,451	154,842	11,230	856	341	6,624	159,558
	Parent	-	-	-	-	-	-	-

* Past due not impaired ('PDNI')

* Considered impaired ('CI')

Receivables past due but not considered impaired are: Consolidated \$ nil (2008: \$7,480)
Parent \$ nil (2008: \$ nil)

Payment terms on these amounts have not been re-negotiated however credit has been stopped until full payment is made. Each operating unit has been in direct contract with the relevant debtor and is satisfied that payment will be received in full.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(b) Related party receivables

For the ending 30 June 2009 there were no related party receivables

(c) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

(d) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in Note 3.

Note 11 Inventories

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
CURRENT				
At cost				
Stock / Work in progress	72,018	404,088	-	-
Allowance for impairment	-	(180,598)	-	-
	72,018	223,490	-	-

Note 12 Other Financial Assets

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
CURRENT				
Available-for-sale financial assets (a)	-	980,420	-	980,420
	-	980,420	-	980,420
NON-CURRENT				
Investments in subsidiaries	-	-	1,399,114	632,184
Provision for investment in subsidiaries			(822,546)	(632,184)
Net Investment in subsidiaries (Note 13 (ii))			576,568	-
Amounts Receivable from:				
- wholly-owned entities	-	-	9,265,210	8,680,917
- provision for impairment of receivables wholly-owned subsidiaries (b)	-	-	(9,265,210)	(7,921,098)
	-	-	-	759,819

- (a) Available-for-sale financial assets comprise investments in the ordinary issued capital of KarmelSonix Limited. There are no fixed returns or fixed maturity dates attached to these investments. The fair values of the shares in listed corporations were determined by reference to published price quotations on the Australian Stock Market at balance date. The shares were disposed of in the current period.
- (b) The long-term forecasts and discounted cash flow valuation prepared indicated that the loans to wholly-owned entities were impaired and accordingly have been fully written down to the net asset value of the subsidiaries.

Note 13 Controlled Entities

Controlled Entities Consolidated

Parent Entity:	Country of Incorporation	Percentage Owned (%)*		Parent Entity Investment	
		2009	2008	2009	2008
		%	%	\$	\$
Medic Vision Limited	Australia				
Subsidiaries of Medic Vision Limited:					
Medic Vision Health Pty Ltd	Australia	100%	100%	632,184	632,182
Medic Vision Limited	United Kingdom	100%	100%	1	1
Medic Vision Pte Ltd	Hong Kong	100%	100%	1	1
Red Paragon Pty Ltd (i)	Australia	87.5%	-	766,930	-

Percentage of voting power is in proportion to ownership.

(i) Acquisition of Red Paragon Pty Ltd

On 8 January 2009 Medic Vision Ltd acquired a controlling interest of 87.5% of the voting shares of Red Paragon Pty Ltd, an Australian based and incorporated private company that manufactures low cost, light weight, building panels (walls, floors, ceilings and roof panels) for the construction of modular buildings.

The total cost of the combination was \$ 766,930 and comprised an issue of equity instruments and costs directly attributable to the acquisition. The Company issued 13,687,500 ordinary shares in exchange for the interest in Red Paragon. The published price of the Company's shares on 8 January 2009 was determined to be an unreliable indicator of the fair value of the shares issued. This conclusion was reached with reference to limited trade activity in the Company's shares. The fair value of the proportional interest in identifiable assets acquired was determined to be a more accurate measurement. The fair value of the shares issued was thus calculated to be \$ 0.06.

(ii) The initial investment of \$ 766,930 in Red Paragon Pty Ltd has been impaired to \$ 576,568 following an assessment by the Directors of the recoverability of loans to related parties within the Medic Vision Group. (Note 12).

Note 13 Controlled Entities (Contd)

Details of the acquisitions are as follows:

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Fair value of net assets acquired				
Cash	-	-	287,708	-
Advances – MV Limited	-	-	399,000	-
Inventory	-	-	14,486	-
Prepayments	-	-	12,680	-
Property, Plant and Equipment	-	-	207,291	-
Payables	-	-	(36,773)	-
GST (Payable)/Receivable	-	-	20,001	-
PAYG	-	-	(27,902)	-
Total fair value of net assets acquired	-	-	876,491	-
Less: Goodwill on acquisition	-	-	-	-
	-	-	876,491	-
Less: Minority interest share of net assets	-	-	(109,561)	-
Consideration (share capital)	--	--	766,930	--

Note 14 Other Current Assets

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Other Current Assets:				
Prepayments	10,540	28,123	-	8,089
Rental Bonds	25,749	12,660	3,047	3,047
	36,289	40,783	3,047	11,136

Note 15 Property, Plant and Equipment

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
PLANT AND EQUIPMENT				
Plant and equipment:				
At cost	1,006,560	779,377	-	-
Accumulated amortisation	(590,571)	(414,069)	-	-
	415,989	365,308	-	-
Leasehold improvements				
At cost	-	22,868	-	22,868
Accumulated amortisation	-	(4,560)	-	(4,560)
Total leasehold improvements	-	18,308	-	18,308
Computer equipment				
At cost	115,567	189,300	49,245	49,245
Accumulated depreciation	(91,129)	(110,325)	(47,577)	(45,159)
	24,438	78,975	1,668	4,086
Furniture and fittings				
At cost	-	40,777	-	40,777
Accumulated depreciation	-	(16,905)	-	(16,905)
	-	23,872	-	23,872
Total plant and equipment	440,427	486,463	1,668	46,266

Note 15 Property, Plant and Equipment (Cont.)

(a) Movements in Carrying Amounts

	Plant and Equipment \$	Computer Equipment \$	Furniture & Fittings \$	Leasehold Improvements \$	Total \$
Consolidated Group:					
Balance at 1 July 2007	535,426	74,087	30,426	10,796	650,735
Additions	14,070	45,517	-	9,232	68,819
Disposals	(27,781)	-	(2,074)	-	(29,855)
Opening balance translation variance	(11,827)	(2,444)	-	-	(14,271)
Depreciation expense	(146,061)	(38,676)	(4,480)	(1,720)	(190,937)
Depreciation translation variance b/w B Sheet & P & L	1,481	491	-	-	1,972
Balance at 30 June 2008	365,308	78,975	23,872	18,308	486,463
Additions	226,861	11,879	-	-	238,740
Disposals	-	-	(453)	-	(453)
Written-off	-	(26,468)	(18,970)	(16,593)	(62,031)
Depreciation expense	(176,502)	(39,779)	(4,449)	(1,715)	(222,445)
Depreciation translation variance b/w B Sheet & P & L	322	(169)	-	-	153
Balance at 30 June 2009	415,989	24,438	-	-	440,427
Parent Entity:					
Balance at 1 July 2007	-	11,818	30,426	20,028	62,272
Additions	-	-	-	-	-
Disposals	-	-	(2,074)	-	(2,074)
Depreciation expense	-	(7,732)	(4,480)	(1,720)	(13,932)
Balance at 30 June 2008	-	4,086	23,872	18,308	46,266
Additions	-	-	-	-	-
Disposals	-	-	(453)	-	(453)
Written-off	-	-	(18,970)	(16,593)	(35,563)
Revaluation increments/(decrements)	-	-	-	-	-
Depreciation expense	-	(2,418)	(4,449)	(1,715)	(8,582)
Balance at 30 June 2009	-	1,668	-	-	1,668

Note: Additions during the year comprise of Plant and Equipment with the Net Book Value of \$ 206,959 (Cost: \$ 224,705) and Computer Equipment with the Net Book Value of \$ 332 (Cost: \$ 430) from Red Paragon Pty Limited (Note 13 (i)).

Note 16 Intangible Assets

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Medic Vision Health				
Goodwill				
Cost	-	3,420,553	-	-
Impairment losses	-	(3,420,553)	-	-
Net carrying value	-	-	-	-
Medic Vision (UK)				
Trademarks and licences				
Cost	-	165,305	-	-
Accumulated amortisation and impairment	-	(165,305)	-	-
Net carrying value	-	-	-	-
Total intangibles	-	-	-	-

Consolidated Group:

	Goodwill	Trademarks & Licences	Total
	\$	\$	
Balance at the beginning of the year	2,450,000	68,879	2,518,879
Year ended 30 June 2008			
Currency translation loss	-	-	-
Amortisation and impairment charge	(2,450,000)	(68,879)	(2,518,879)
Closing carrying value at 30 June 2008	-	-	-

Trademarks and licences were deemed to have a finite life of two years and were amortised over two years. Trademarks and licences have been fully amortised.

Based on evolving business operational strategy and reduction in estimated future cash flows from simulator sales, the Company determined that the goodwill with carrying value of \$2,450,000, recorded on the acquisition of Medic Vision Health Pty Ltd, was fully impaired. Hence it was written down to zero in the depreciation, amortisation and impairment account of the Income Statement in the year 2008.

Note 17 Trade and Other Payables

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
CURRENT				
Unsecured liabilities				
Trade payables	642,525	436,716	192,573	26,329
Sundry payables and accrued expenses	-	203,459	-	43,847
	<u>642,525</u>	<u>640,175</u>	<u>192,573</u>	<u>70,176</u>

(a) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value

(b) Financial guarantees

For the year ending 30 June 2009 the Group has not provided any financial guarantee.

(c) Related party payables

For the year ending 30 June 2009 the Group does not have any related party payables.

(d) Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in Note 3

Note 18 Provisions for Employee Benefits

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
CURRENT				
Short-Term Employee Entitlements				
Annual Leave	<u>70,139</u>	<u>66,273</u>	-	-

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
NON-CURRENT				
Long-Term Employee Entitlements				
Long Service Leave	<u>-</u>	<u>1,564</u>	-	-

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Analysis of Total Provisions				
Current	<u>70,139</u>	<u>66,273</u>	-	-
Non-current	<u>-</u>	<u>1,564</u>	-	-
Provision for Employee Entitlements	<u>70,139</u>	<u>67,837</u>	-	-

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 2 of this report.

Note 19 Financial Liabilities

Convertible Notes Issued

During the year ended 30 June 2009, the Company issued 673,980 convertible notes at a principal value of \$ 1.00 each. Each convertible note is interest bearing at a rate of 8.5% interest per annum (paid monthly in arrears) and is unsecured. The convertible notes are not redeemable and not repayable except in the event that the Company has not obtained shareholder approval to the convertibility of each Notes by 12 June 2010, in which case the Note will be repayable upon demand. The Company can issue Notes to the value of up to 15% of its listed capital without shareholder approval. The convertible notes have been accounted for as compound financial instruments in accordance with AASB 139 Financial Instruments: Recognition and Measurement.

Terms and conditions

These notes are not transferable and cannot be traded unless converted into shares. The Convertible Notes confer no entitlements to participate in any bonus issues or pro rata issues. The Notes do not confer on the holder any voting rights.

In the event of reorganisation, reconstruction, consolidation or sub-division of the capital of the Company Holders of Convertible Notes will be treated in the same manner as ordinary shareholders in the Company.

The proceeds received have been accounted for as follows:

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Non current interest bearing liabilities	640,751	-	640,751	-
Contributing equity(i)	23,260	-	23,260	-
Deferred tax liability	9,969	-	9,969	-
Total	673,980	-	673,980	-

(i) Equity Component

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Balance at beginning of year	-	-	-	-
Equity portion of convertible notes issued during the year	23,260	-	23,260	-
Balance at end of year	23,260	-	23,260	-

Note 20 Issued Capital

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Ordinary Shares Fully Paid (No par value)	21,074,922	20,224,492	21,074,922	20,224,492
Equity portion of Convertible Notes (Note 19)	23,260	-	23,260	-
Options Over Shares – Reserve	1,532,428	1,532,428	1,532,428	1,532,428
	22,630,610	21,756,920	22,630,610	21,756,920

Terms and Conditions of Issued Capital

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the Sale of all surplus assets in proportion to the number of and moneys paid up on shares held. Ordinary shares entitle holders to one vote, either in person or by proxy at a meeting of the Company.

Warrants to subscribe for ordinary shares

As part of the company's appointment of its UK Nominated Advisor for the AIM listing a warrant has been issued to the Nominated Advisor which allows the Nominated Advisor to subscribe for up to 2% in number of the ordinary issued shares of the company. The Nominated Advisor may exercise the shares at the lower of 3.375 pence per ordinary share and the price the company next makes a substantial issue of equity subsequent to the date of the agreement, 17 March 2009. The warrant instrument does not become enforceable unless approved by a resolution of the shareholders. The directors plan to submit a resolution for consideration of the shareholders at the 2009 AGM.

Options

Option holders do not have the right to receive a dividend and are not entitled to vote at a meeting of the Company. Options may be exercised at any time from the date they vest to the date of their expiry. Share options convert into ordinary shares on a one for one basis on the date they are exercised.

(a) Ordinary Shares	2009		2008	
	No. Shares	\$	No. Shares	\$
At the beginning of reporting period	91,471,459	20,224,492	93,415,464	20,382,023
Shares issued during the year – Acquisition share issue (Note 13 (i))	13,687,500	766,930	-	-
Shares issued during the year – Capital raising share issue	1,250,000	100,000	-	-
Cancellation of Buy Back Shares	-	-	(1,944,005)	(157,531)
Transactions costs relating to share issue	-	(16,500)	-	-
At Reporting Date	106,408,959	21,074,992	91,471,459	20,224,492

(i)	2009	Details	No.	Issue Price	\$
	09/02/2008	Acquisition of Red Paragon Pty Ltd (Note 13 (i))	13,687,500	0.05603	766,930
	15/04/2009	Capital Raising	1,250,000	0.08000	100,000
			14,937,500		866,930

(ii) No ordinary shares were issued in the year 2008.

Note 20 Issued Capital (Cont'd)

(b) Options Reserve

Movement in Options on Issue	Note	2009		2008	
		No. of Options	\$	No. of Options	\$
At Beginning of the Reporting Period		16,750,173	1,532,428	10,250,173	1,441,449
Issued during the Year	(i)	-	-	6,500,000	90,979
Exercised during the Year	(ii)	-	-	-	-
Expired during the Year	(iii)	(500,000)	-	(500,000)	-
Balance at the End of the Financial Year	(iv)	16,250,173	1,532,428	16,250,173	1,532,428

(i) Issued during the Year

2008	Details	No.	Issue Price (Fair Value)	\$	Expiry Date	Exercise Price \$
30/11/2007	Issued Options to Director	2,500,000	0.0609	22,306	30/11/2012	0.177
30/11/2007	Issued Options to Director	2,500,000	0.0609	22,307	30/11/2012	0.177
08/01/2008	Issued Options to Consultants (a)	500,000	0.0560	28,000	17/01/2012	0.20
11/02/2008	Issued Options to Consultants (a)	500,000	0.0450	22,500	17/01/2012	0.20
28/02/2008	Issued Options to Director	500,000	0.0601	6,866	28/02/2012	0.20
		6,500,000		101,979		

(ii) No options were exercised in the current period (2008:Nil)

Note

(a) – Fair value of options granted during the year as cash-settled shared-based payment arrangements, have been determined by reference to the fair value of goods and services provided and market value of listed options. Options have vested on grant date.

Note 20 Issued Capital (Cont'd)

(iii) Expired during the Year

2009	Details	No.	Issue Price	Fair Value \$
04/05/2009	Issued to director	500,000	0.24	89,167

(iv) Options on Issue at 30 June 2009

Details	No.	Expiry Date	Exercise price \$	Fair Value \$
Issued to Director	500,000	2/5/2010	0.079(b)	70,833
Issued to ex-directors	1,500,000	15/12/2009	0.30(c)	87,900
Issued Options to under Capital Raising	6,675,173	17/1/2012	0.20(c)	-
Issued to Consultants	475,000	17/1/2012	0.20(c)	14,250
Issued to Consultants	600,000	17/1/2012	0.20(c)	18,000
Issued to Consultants	500,000	17/1/2012	0.20(c)	24,500
Issued to Consultants	500,000	17/1/2012	0.20(c)	15,000
Issued to Director	500,000	28/02/2012	0.20(c)	6,866
Issued to Director	2,500,000	30/11/2012	0.177(d)	22,306
Issued to Director	2,500,000	30/11/2012	0.177(d)	22,307
	16,250,173			281,962

Note

(b) Exercise price is 10% discount to the five-day volume weighted average price prior to 04/05/08.

(c) Share options vest on the day they are granted and are exercisable at any time prior to the expiry date.

(d) 1,000,000 will vest immediately on issue. 500,000 will vest if, at any time within 12 months of the issue date of the options, the last sale price of the Company's shares on ASX equals exceeds \$0.35 for 14 consecutive trading days and 1,000,000 will vest if, at any time within 24 months of the issue date of the options, the last sale price of the Company's shares on ASX equals exceeds \$0.45 for 14 consecutive trading days.

The exercise price of the options is \$0.177, being the weighted average sale price of the Company's shares on ASX in the 5 trading days prior to and including 30 November 2007. The final exercise date for the options will be 30 November 2012.

Share options carry no rights to dividends and no voting rights. In accordance with the terms of the share option schemes, options may be exercised at any time from the date on which they vest to the date of their expiry, subject to any additional specific requirements of the particular allocation.

Consideration received on the exercise of options is recognised as contributed equity.

(v) Options – Equity-settled Share-based Payments

The following table discloses terms and conditions of each grant of options provided as compensation in the previous period and this financial reporting period of Key Management Personnel. The valuations of the options are independently determined by independent experts using Black-Scholes option pricing model, taking into account the terms and conditions upon which the instruments were granted.

Note 20 Issued Capital (Cont'd.)

Key Management Personnel	Granted No.	Grant Date	Fair Value per option at grant date	Exercise price per option	Expiry Date	First Exercise Date	Last Exercise Date	Vested No.	Fair Value at Grant Date \$
2009									
During the year no options were exercised.									
2008									
Mr Ross Horley	2,500,000	30 Nov 2007	\$0.177	\$0.177	30 Nov 2012	30 Nov 2007	30 Nov 2012	1,000,000	22,306
Mr Frank Cannavo	2,500,000	30 Nov 2007	\$0.177	\$0.177	30 Nov 2012	30 Nov 2007	30 Nov 2012	1,000,000	22,307
Mr Michael Reid (resigned 28 Jan 2008)	-	-	-	-	-	-	-	-	-
Mr Patrick Cregan (appointed 28 Jan 2008) (resigned 31 Aug 2008)	500,000	28 Feb 2008	\$0.095	\$0.20	28 Feb 2012	28 Feb 2008	28 Feb 2012	500,000	6,866
Mr Adam Legg	-	-	-	-	-	-	-	-	-
Ms Kathy Pacyga	-	-	-	-	-	-	-	-	-
	<u>5,500,000</u>							<u>2,500,000</u>	<u>51,479</u>

Further information on the options and remuneration of Key Management Personnel is set out in the Directors' Report.

Note 21 Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management are constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell as-sets to reduce debt.

During 2009, management did not pay any dividends. Management does not foresee any payment of dividend in 2010.

Management is reviewing plans to issue further shares on the market.

There has been no change to the strategy adopted by management to control the capital of the entity.

The gearing ratios for the year ended 30 June 2009 and June 2008 are as follows:

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Borrowings	-	-	-	-
Trade and other payables	642,525	640,176	-	70,176
Total	642,525	640,176	-	70,176
Less cash and cash equivalents	(737,197)	(466,091)	(522,477)	(141,989)
Net debt	(94,672)	174,085	(522,477)	(71,813)
Total equity	324,355	2,058,894	294,577	2,058,898
Total capital	229,683	2,232,979	(227,900)	1,987,085
Gearing ratio	-	7%	-	-

The Group is not subject to any externally imposed capital requirements

Note 22 Reserves

- (a) Investment Revaluation Reserve (Available for Sale Assets)
The investment revaluation reserve records revaluations of "available-for-sale financial assets" as at balance date.
- (b) Foreign Currency Translation Reserve
The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

Note 23 Capital and Leasing Commitments

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
(a) Operating Lease Commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Payable – minimum lease payments				
– not later than 12 months	25,400	130,566	-	38,371
– between 12 months and 5 years	88,900	-	-	-
	114,300	130,566	-	38,371

On 14 April 2004, Medic Vision entered into a sub-lease for five years, commencing 1 April 2004, expiring 31 March 2009 at a rate of \$36,362 per annum, with an annual increase of 3.5% on the anniversary of the commencement date. The lease contained an option to extend the term of the sub-lease by a further five years at an increasing rate of 3.5% per annum which was not exercised.

On 18th January 2008, Medic Vision Ltd (UK) entered into a lease for fourteen months, commencing 8 March 2008, expiring 7 May 2009 at a rate of £2,427 per month.

On 27th May 2008, Medic Vision Pte Ltd (HK) entered into a lease for 12 months, commencing 2 June 2008, expiring 1 June 2009 at a rate of RMB 9,000 per month. The lease contains an option to extend the term of the lease which was not extended.

On 4th August 2009, Medic Vision Ltd entered into a lease for 36 months, commencing 4 November 2009, expiring 4 August 2012 at a rate of \$38,100 per annum plus GST, with an annual increase of 4% per annum on the anniversary of the lease commencement date. The lease contains an option to extend the term of the lease.

Note 24 Segment Reporting

Continuing Operations

	Simulators		Skill Centres		Research & Development		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$	\$	\$
Primary Reporting – Business Segments								
REVENUE								
External sales	1,087,570	1,479,818	97,464	390,802	-	-	1,185,034	1,870,620
Total segments revenue	1,087,570	1,479,818	97,464	390,802	-	-	1,185,034	1,870,620
<i>Non-Segment revenue</i>								
Other Income							351,589	1,260,771
Interest Income							11,760	83,305
Total consolidated revenue							1,548,383	3,214,696
RESULT								
Segment result	(1,263,738)	(2,927,312)	(273,155)	(290,068)	-	-	(1,536,893)	(3,217,380)
Unallocated expense							(922,384)	(2,261,450)
Profit/(loss) before tax and finance costs							(2,529,277)	(5,478,830)
Finance costs							(14,914)	(4,947)
Loss before income tax and minority interest							(2,544,191)	(5,483,777)
Income tax expense							-	-
Profit/Loss attributable to Minority Interest							79,784	-
Net loss for the year							(2,464,407)	(5,483,777)

Note 24 Segment Reporting (Cont'd.)

	Simulators		Skill Centres		Research & Development		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$	\$	\$
ASSETS								
Segment assets	418,856	748,150	-	45,000	-	-	463,856	793,150
Unallocated assets							1,213,914	1,973,756
							1,677,770	2,766,906
LIABILITIES								
Segment liabilities	642,525	640,176	-	-	-	-	642,525	640,176
Unallocated liabilities							70,139	66,273
Unallocated financial liabilities							640,751	-
							1,353,415	706,448
OTHER								
Capital expenditure	13,605	68,819	225,135	-	-	-	238,740	68,819
Depreciation and amortisation of segment assets	268,695	2,708,755	-	-	-	-	268,695	2,708,755
Unallocated depreciation and amortisation							-	-
Total depreciation and amortisation							268,695	2,708,755

Secondary Reporting – Geographical Segments 30 June 2009

	Australia	United Kingdom	Asia	Total
	\$	\$	\$	\$
Continuing Operations Geographical location:				
Sales to external customers	571,384	312,364	203,822	1,087,570
Other revenue from external customers	67,054	30,410	-	97,464
Sale of "Assets held for Sale"	-	-	-	-
Other Income	-	-	-	-
Total segment revenue	638,438	342,774	203,822	1,185,034
Non-segment revenue				
Other Income				351,589
Interest revenue				11,760
Total consolidated revenue				1,548,383
Other Segment Information				
Segment assets	1,538,772	107,210	31,788	1,677,770
Unallocated assets	-	-	-	-
Total Assets	1,538,772	107,210	31,788	1,677,770
Capital expenditure	236,584	2,156	-	238,740

Note 24 Segment Reporting (Cont'd.)

Secondary Reporting – Geographical Segments 30 June 2008

	Australia	United Kingdom	Asia	Total
	\$	\$	\$	\$
Continuing Operations Geographical location:				
Sales to external customers	235,210	711,394	533,214	1,479,818
Other revenue from external customers	334,842	55,960	-	390,802
Sale of "Assets held for Sale"	1,239,660	-	-	1,239,660
Other Income	3,402	-	-	3,402
Total segment revenue	1,812,754	767,354	533,214	3,113,322
<i>Non-segment revenue</i>				
Other Income				18,069
Interest revenue				83,305
Total consolidated revenue				3,214,696
Other Segment Information				
Segment assets	2,059,290	528,719	178,898	2,766,907
Unallocated assets	-	-	-	-
Total Assets	2,059,290	528,719	178,898	2,796,907
Capital expenditure	54,422	12,888	1,509	68,819

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

The Group operates in three principal geographical areas – Australia, United Kingdom and Asia. The composition of each geographical segment is as follows:

Australia	the Group manufactures and sells simulators and performs their research and development in Australia
United Kingdom	the Group sells simulators and undertakes consulting assignments
Asia	the Group sells simulators and undertakes consulting assignments.

Note 25 Cash Flow Information

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Reconciliation of Cash Flow from Operations with Profit (Loss) After Income Tax				
Loss after Income Tax	(2,544,191)	(5,483,777)	(2,392,906)	(4,917,804)
Cash flows excluded from loss attributable to operating activities				
Non-cash Flows in Loss				
Amortisation	61,033	68,879	-	-
Depreciation	207,661	193,805	8,582	13,932
Impairment of Goodwill	-	2,450,000	-	2,449,978
Impairment of Intercompany Loan	-	-	1,344,114	-
Impairment of investment in subsidiary	-	-	190,362	-
Options issued for nil consideration in lieu of operating expenses	-	90,979	-	90,979
Loss on sale of available for sale financial assets	74,364	(1,072,868)	74,364	(1,072,868)
Sale of Business – Share Proceeds	-	-	-	-
Non-cash Income	69,336	(69,427)	-	-
Loss on Sale of Asset	-	-	35,764	-
Changes in assets and liabilities:				
(Increase)/decrease in trade and term receivables	177,821	509,184	124,444	2,527,124
(Increase)/decrease other current assets	183,542	132,328	8,089	28,727
Increase/(decrease) in trade payables and accruals	(52,294)	(334,268)	112,427	(145,713)
Increase/(decrease) in provisions	2,301	(18,271)	-	-
Cash flow from operations	(1,820,427)	(3,533,436)	(494,758)	(1,025,645)

Note 26 Related Party Disclosure

Equity Interests in Controlled Entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 13 to the financial statements.

Loan Disclosures

There are no related party loans between the disclosing entity and any key management personnel.

Transactions within the Wholly-owned Group

The wholly-owned group includes:

The ultimate parent entity in the wholly-owned group; and

Wholly-owned controlled entities.

The ultimate parent entity in the wholly-owned group is Medic Vision Limited. Details of interest revenue derived from entities in the wholly-owned group are disclosed in Note 4a of the financial statements. Amounts receivable from and payable to entities in the wholly-owned group are disclosed in Note 12 of the financial statements. During the year, the parent company provided loan funds to its subsidiary of \$584,293 (2008: \$3,124,677) which consisted of net cash funding of \$543,434 (2008: \$2,809,506). Interest of \$ Nil (2008: \$315,171) was charged by the parent company for the provision of the loan funds. At 30 June 2009, the parent entity impaired this loan as detailed in Note 12.

Transactions with Key Management Personnel

Total remuneration, payments and equity issued to Directors and Key Management personnel are summarised as follows:

Note 26 Related Party Disclosure (Cont'd)

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Short-term Benefits				
Cash Salary, Fees and Short-term Compensation Absences	506,608	658,321	114,877	600,799
Short-term Cash Profit-sharing and Other Bonuses	-	90,000	-	90,000
Post Employment Benefits				
Superannuation	10,076	18,733	-	14,996
Share-based Payments				
Options	-	51,479	-	51,479
	516,684	818,533	114,877	757,274

A detailed summary of the Key Management Personnel remuneration is contained in the Directors' Report.

b. Remuneration Options

There were no remuneration options issued to Key Management Personnel in the year ended 30 June 2009.

c. Shares Issued on Exercise of Remuneration Options

There were no shares issued on exercise of remuneration options to Key Management Personnel in the year ended 30 June 2009.

d. Convertible Note Subscribers

The following Director related party entities subscribed towards the convertible notes:

1. Ross Horley (Director – resigned 4 September 2009)
2. Anthony Meats Superannuation Fund (Frank Cannavo and Vince Leone)
3. Frank Cannavo Investments Pty Ltd (Director – Frank Cannavo)
4. Pesco Investments Pty Ltd (Director – Vince Leone)
5. Frank Cannavo Superannuation Fund (Director – Frank Cannavo)
6. Flavours Fruit and Vegetable Supply (Director – Frank Cannavo)
7. Thirty Eight Vobard Pty Ltd (Director – Frank Cannavo)

e. Interest in Red Paragon Pty Ltd prior to acquisition of Red Paragon Pty Ltd:

Frank Cannavo Investment Trust held 25 shares at \$ 5,000 amounting to \$ 125,000 prior to the acquisition of Red Paragon Pty Ltd. Subsequent to the acquisition, this was converted into Medic Vision Ltd shares of 1,562,500 at 8 cents each.

Number of Options Held by Key Management Personnel – 2009

	Balance at 1/7/2008 No.	Granted as Remuneration during the Year No.	Options Exercised No.	Options Lapsed during the Year No.	Balance at 30/6/2009 No.	Total Vested at 30/6/2009 No.	Total Exercisable at 30/6/2009 No.	Total Un- exercisable 30/6/2009 No.
Directors								
Mr Ross Horley	1,000,000	2,500,000	-	-	3,500,000	2,000,000	2,000,000	1,500,000
Mr Frank Cannavo	-	2,500,000	-	-	2,500,000	1,000,000	1,000,000	1,500,000
Professor Patrick Cregan (appointed 28 Jan 2008) (resigned 31 Aug 2008)	-	500,000	-	-	500,000	500,000	500,000	-
	1,000,000	5,500,000	-	-	6,500,000	3,500,000	3,500,000	3,000,000

Note 26 Related Party Disclosure (Cont'd)

Number of Options Held by Key Management Personnel – 2008

	Balance at 1/7/2007 No.	Granted as Remuneration during the Year No.	Options Exercised No.	Options Lapsed during the Year No.	Balance at 30/6/2008 No.	Total Vested at 30/6/2008 No.	Total Exercisable at 30/6/2008 No.	Total Un- exercisable 30/6/2008
Directors								
Mr Ross Horley	1,000,000	2,500,000	-	-	3,500,000	2,000,000	2,000,000	1,500,000
Mr Frank Cannavo	-	2,500,000	-	-	2,500,000	1,000,000	1,000,000	1,500,000
Professor Patrick Cregan (appointed 28 Jan 2008) (resigned 31 Aug 2008)	-	500,000	-	-	500,000	500,000	500,000	-
	1,000,000	5,500,000	-	-	6,500,500	3,500,000	3,500,000	3,000,000

Net Change Other refers to options issued for the year under review, other than for remuneration, or traded on market.

e. Shareholdings

Number of Shares held by Key Management Personnel – 2009

	Balance at 1/7/2008 No.	Granted as Remuneration during the Year No.	Options Exercised No.	Net Change Other No. 1	Balance at 30/6/2009 No.
Directors					
Mr Ross Horley (resigned 4 September 2009)	4,984,574	-	-	228,500	5,213,074
Mr Frank Cannavo	2,411,635	-	-	600,865	3,012,500
Professor Patrick Cregan (appointed 28 Jan 2008) (resigned 31 August 2008)	42,000	-	-	-	42,000
Mr. Thamby Navaratnam (appointed 10 Sept 2008) (resigned 15 July 2009)	-	-	-	-	-
Mr. Vince Leone (appointed 20 May 2009)	-	-	-	859,000	859,000
	7,438,209	-	-	1,688,365	9,126,574

Net Change Other refers to options issued for the year under review, other than for remuneration, or traded on market.

Number of Shares held by Key Management Personnel – 2008

	Balance at 1/7/07 No.	Granted as Remuneration during the Year No.	Options Exercised No.	Net Change Other No. 1	Balance at 30/6/08 No.
Directors					
Mr Ross Horley	5,115,074	-	-	(130,500)	4,984,574
Mr Frank Cannavo	1,300,000	-	-	1,111,635	2,411,635
Professor Patrick Cregan (appointed 28 Jan 2008) (resigned 31 August 2008)	-	-	-	42,000	42,000
	6,415,074	-	-	1,023,135	7,438,209

Net Change Other refers to options issued for the year under review, other than for remuneration, or traded on market.

Note 27 Events after Balance Sheet Date

After 30 June 2009 the company commenced negotiations to acquire a successful digital marketing company. It is expected that the acquisition of this cash generating company will not only strengthen the company's financial position but also help market the entire range of products in a cost effective manner in the global market where Medic Vision has a foot print.

The Directors are not aware of any other matters or circumstances that have arisen since 30 June 2009 that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

DIRECTORS' DECLARATION

The directors of Medic Vision Limited declare that:

- (a) in the directors' opinion the financial statements and notes and the Remuneration Report in the Directors Report set out on pages 10 to 15 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2009 and of their performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(c); and
- (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Signed in accordance with a resolution of the directors

Dated in Melbourne on 22 October 2009.



Indrajit Arulampalam

Executive Chairman



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDIC VISION LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Medic Vision Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Medic Vision Limited ("the Company") and the consolidated entity. The consolidated entity comprises Medic Vision Limited and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independence

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

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Chartered Accountants
& Business Advisers

Auditor's Opinion

In our opinion:

- (a) the financial report of Medic Vision Limited is 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 2009 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 report also complies with International Financial Reporting Standards as disclosed in Note 2(c).

Emphasis of Matter - Material Uncertainty Regarding Continuation as a Going Concern

Without qualification to the audit opinion expressed above, attention is drawn to the following matter.

As referred to in Note 2(b) "Going Concern" to the financial report, the company and the consolidated entity incurred a loss for the year ended 30 June 2009 of \$2,392,906 and \$2,464,407 respectively and had net cash outflows from operating activities amounting to \$494,758 and \$1,820,427 respectively. These conditions give rise to a material uncertainty which may cast significant doubt about the ability of the company and the consolidated entity to continue as going concerns, and therefore whether they will be able to pay their debts as and when they fall due and realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report. The financial report has been prepared on a going concern basis and therefore does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 15 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Medic Vision Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Acts 2001*.

PKF

R A Dean
Partner

22 October 2009
Melbourne

ADDITIONAL STOCK EXCHANGE INFORMATION

Additional information required by Australian Stock Exchange Limited and not shown elsewhere in the Annual Report is as follows. The information is at 15 October 2009.

Number of Holders of Equity Securities

Ordinary Shares 106,408,959; fully paid ordinary shares are held by 856 individual shareholders. All ordinary shares carry one vote per share.

Unlisted Options

There are 8,000,000 unlisted options exercisable at various prices with various exercise dates and vesting condition. Refer to Note 20 for more information.

Distribution of Shareholders	Ordinary	Options
Category (size of holding)		
1 – 1,000	4	0
1,001 – 5,000	51	2
5,001 – 10,000	167	0
10,001 – 100,000	482	38
100,001 – and over	152	19
	856	59
Unmarketable parcels	158 @ \$0.08	7 @ \$0.028

Shareholder Information

20 Largest Shareholders – Ordinary Shares

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	Computershare Clearing Pty Ltd	10,852,605	10.20%
2.	Mr R. Horley	5,213,074	4.90%
3.	Dr I. Van Bremen	4,000,000	3.76%
4.	H20 Pure Pty Ltd	3,125,000	2.94%
5.	Mrs B. Rogerson	3,000,000	2.82%
6.	Mr C. Rogerson	2,811,979	2.64%
7.	UBS Wealth Management Australia Nominees Pty Ltd	2,031,595	1.91%
8.	Mr. Christopher Robert Rogerson	1,700,000	1.60%
9.	Mr K. & Mrs M. Burrows	1,644,419	1.55%
10.	Frank Cannavo Investments Pty Ltd	1,562,500	1.47%
11.	Lyme Ridge Pty Ltd	1,562,500	1.47%
12.	Rogue Investment Pty Ltd	1,500,000	1.41%
13.	Frank Cannavo Investment Pty Ltd	1,450,000	1.36%
14.	Mr F. Cannavo + Mr A. Cannavo	1,300,000	1.22%
15.	Mr. Paul Chu	1,250,000	1.17%
16.	Ms. Emily Lee D'Cruz	1,250,000	1.17%
17.	Mr. Dale Martin Hogan	1,250,000	1.17%
18.	Mr. Peter Maiden	1,250,000	1.17%
19.	Kansalex Pty Ltd	1,146,666	1.08%
20.	Custodial Services Limited	1,110,000	1.04%
		49,010,338	46.05%

20 Largest Option Holders – Listed Options

	Name	Number of Options Held	% Held of Issued Options
1.	Mr S. Bodey	1,494,395	17.08%
2.	Ms E. Muschol	800,000	9.14%
3.	Mr J. Bolton	600,000	6.86%
4.	Mr A. Strong	550,000	6.29%
5.	Superstructure International Pty Ltd	500,000	5.71%
6.	Mr O. & Mrs M Coote	421,500	4.82%
7.	Mr M. Wallace	390,000	4.46%
8.	Mr J. Lawler	300,000	3.43%
9.	Mr J. Booth	267,005	3.05%
10.	Mr O. Coote	222,000	2.54%
11.	Custodial Services Limited	200,000	2.29%
12.	Mr R. Falcone	200,000	2.29%
13.	Ms K. Sandland	200,000	2.29%
14.	Mrs R. Steele	200,000	2.29%
15.	Alabasha Investments Pty Ltd	184,000	2.10%
16.	Mr R. Tate	150,000	1.71%
17.	Jkl Corporation Pty Ltd	125,000	1.43%
18.	Chipman Nominees Pty Ltd	110,000	1.26%
19.	Castlegarde Pty Ltd	100,000	1.14%
20.	Mrs J. Chisholm	100,000	1.14%
		<u>7,113,900</u>	<u>81.30%</u>

Unquoted Equity Securities Holdings Greater than 20 per cent

There are no unquoted equity securities holding greater than 20 per cent.

Substantial Shareholders

The names of substantial shareholders who have notified the Company in accordance with Section 671B of the Corporations Act are:

Ross Horley T/F Medical Technology Trust, 5,213,074 shares.

Shareholder Enquiries

Shareholders with enquiries about their shareholdings should contact the share registry:

Computershare Investor Services Pty Ltd

Yarra Falls

452 Johnston Street

Abbotsford, VIC 3067

Telephone: 1300 364 826 (within Australia)

+61 3 9415 4610 (outside Australia)

www.computershare.com.au

Change of Address, Change of Name, Consolidation of Shareholdings

Shareholders should contact the Share Registry to obtain details of the procedure required for any of these changes.

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Medic Vision Limited

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