EYECARE PARTNERS LIMITED AND CONTROLLED ENTITIES
ABN 47 006 505 880

FINANCIAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2010
PROVIDED TO THE ASX UNDER LISTING RULE 4.3A

Rule 4.3A

Appendix 4E Preliminary Final Report

Name of entity

EYECARE PARTNERS LIMITED

ABN 47 006 505 880

1. Reporting period

Report for the financial year ended 30 June 2010 (previous corresponding period 30 June 2009)

2. Results for announcement to the market

Revenues from ordinary activities *(item 2.1)*	up	8.25%	to	$30,224,625
Loss from ordinary activities after tax attributable to members (*item 2.2*)	down		to	($4,371,915)
Loss for the period attributable to members *(item 2.3)*	down		to	($4,371,915)

Dividends *(item 2.4)*	Amount per security	Franked amount per security
Interim dividend	N/A	N/A
Final dividend	N/A	N/A
Record date for determining entitlements to the dividend *(item 2.5)*	N/A	
Brief explanation of any of the figures reported above necessary to enable the figures to be understood *(item 2.6)*: Refer below		

OPERATIONAL HIGHLIGHTS

Reviewing the Results

This year the Company faced a number of challenges both externally and internally. Externally the operating environment in this financial year has been typified by the Global Financial Crisis and increasing competition from new and existing franchisors and competitors in the retail optometry market. Internally there were a number of significant changes in personnel with the appointment of two new board members and the appointment of a new Chief Executive Officer.

In spite of the above changes in the operating environment, revenue from operations totalled $30.2m compared to the prior year revenues of $27.9 representing an increase of 8.2%. Organic sales growth from practices when measured on a like for like basis increased 0.6% for the year and the balance of sales growth is attributed to the full year effect of acquisitions completed in the 2009/10 financial year, which records sales from the date of acquisition only.

Gross profit increased by $1.4m which was 7.2% above the prior year and Gross margins were 68.3%.

The operating loss before income tax was $4.13m compared to the prior year profit before tax of $1.96m and net loss after tax was $4.37m compared to the prior year profit after tax of $1.38m. Main contributors to the operating loss were a $4.9m impairment charge and personnel charges were up $1.6m an increase of 13.4%.

During the course of the financial year the Company did not acquire any additional optometry practices.

During the year, the Company did not draw down any additional amounts from its financing facilities for the funding of acquisitions.

Cash reserves of $0.878m as at the close of the reporting period.

Impairment of goodwill

The loss from ordinary activities after tax includes an impairment of goodwill charge of $4,945,000 for the full year ended 30 June 2010.

Goodwill is allocated to cash generating units (CGU's) according to applicable business operations. The recoverable amount of a CGU is based on value-in-use calculations.

These calculations are based on projected discounted cash flows determined by management and approved by the board covering a period not exceeding five years.

Management's determination of cash flow projections is prepared on a practice by practice basis with revenue and gross margin growth rates varying from practice to practice. Cash flow projections for each practice are largely based on historical performance, available billing hours, local demographics, known operating expense variables and projected growth rates.

A terminal value multiple is applied to represent the growth rate implied to extrapolate the cash flows beyond the five year forecast period. The terminal value multiple is based on Director's experience, industry knowledge, market comparative multiples and previous acquisitions.

Management have prepared new discounted cash flow projections at 30 June 2010 based upon actual results to that date and applying growth rates based on historical performance, available billing hours, local demographics and known operating expense variables. The reforecast discounted cash flow projections for underperforming practices have led to the impairment loss recognised on consolidation.

The impairment is a consequence of a combination of a decline in sales, increased overhead costs and decreased gross profit margins in the various cash generating units. The current and forecast results do not support the carrying value of the full amount of goodwill paid upon acquisition for these CGU's.

The present value of future cash flows has been calculated using a post tax discount rate of 10.5% (30 June 2009: 13.3%) to determine value-in-use. The terminal value multiple applied to the reforecast calculations is consistent with that used at 30 June 2009.

The impaired goodwill relates to various cash generating units based in New South Wales, Victoria, Queensland and Western Australia.

The cash generating units consist of working capital, plant and equipment and goodwill.

Reclassification of Debt

During the financial year ended 30 June 2010 a breach of a reporting covenant on the funding facility provided by the NAB was recorded. The breached reporting covenant is described below.

- Any negative variance > 15% from the budgeted numbers in major line items such as GPM and EBITDA will provide the Bank with a right of review of the banking facilities.

The group has continued to meet all interest and principal repayments during the year and the directors consider that these obligations will continue to be met in the foreseeable future. However, AASB 101 requires that all liabilities are classified as current unless there is an unconditional right to defer settlement beyond 12 months. Consequently these borrowings have been reclassified as short term borrowings at the year end

This breach of covenant did not impact on the organisations' ability to meet all interest and principle repayments during the year.

The Board of directors of Eyecare Partners have since reviewed the funding facilities in conjunction with the budgets prepared for the forthcoming year and are of the opinion that the business can be considered a going concern.

Strategy

Recently the Company revisited the previous strategy and recalibrated it reflecting the changes in the optical market. The strategic plan identifies key drivers that need to be implemented to optimise the performance of EyeCare Partners. A key element of the strategy is to provide a high standard of clinical eye health care as the basis for differentiating the Company's selling proposition, as well as being the core of it's business ethic. Key projects have been identified to help drive the business and as a result the Company will be investing in new IT which will greatly improve efficiency, allowing the Company to better monitor business performance and enable more timely feedback to each practice. The addition of a new Business Development manager and Human Resources manager will provide assistance implementing these new changes which are vital for the company's prosperity.

The Company has representation in all mainland states of Australia and is still keen to pursue growth through quality acquisitions. The acquisition programme continues to progress and further acquisitions in capital cities are being assessed as well as additional practices which are proximate to our existing locations so as to take advantage of cost synergies, particularly in advertising and people costs.

In combination, these strategies, when fully executed, will provide a stream of opportunities for increasing the value delivered to shareholders.

Looking Forward

The Company will continue to pursue the creation of increasing shareholder value through execution of the strategies discussed in the foregoing.

To this end the Company has recently initiated a review of its organisational and management structures, its operating policies and its management practices. The objectives of the review are to identify and develop innovative opportunities for enhanced effectiveness and efficiencies in order to hasten growth in profitability and to increase employee satisfaction. Additional staff have been employed to assist in this endeavour and the outcomes will be implemented speedily to increase shareholder returns as early as possible. The effects of these initiatives will start to flow through over the coming months and the Company looks forward to updating you.

3. Statement of Comprehensive Income *(item 3)*

	Consolidated Entity	
	2010 $'000	**2009 $'000**
Revenue		
Sales revenue	30,129	27,342
Other income	96	580
	30,225	**27,922**
Less: Expenses		
Cost of goods sold	(9,555)	(8,891)
Employee benefits expenses	(13,448)	(11,869)
Occupancy expenses	(2,491)	(1,831)
Depreciation and amortisation expenses	(806)	(563)
Impairment of goodwill	(4,945)	-
Finance costs	(560)	(449)
Other expenses	(2,549)	(2,359)
	(34,354)	**(25,962)**
(Loss) / Profit before income tax	**(4,129)**	**1,960**
Income tax expense	(243)	(576)
Net (Loss) / Profit from continuing operations	(4,372)	1,384
(Loss) / Profit for the year	(4,372)	1,384
Other comprehensive income		
Movement in fair value of cash flow hedge, net of tax	(86)	185
Total comprehensive income for the year	(4,458)	1,569
(Loss) / Profit is attributable to:		
Members of the parent	(4,372)	1,384
	(4,372)	1,384
Total comprehensive income attributable to:		
Members of the parent	(4,458)	1,569
	(4,458)	1,569
Earnings per share for profit from continuing operations attributable to equity holders of the parent entity:		
Basic earnings per share	(0.032)	0.010
Diluted earnings per share	(0.032)	0.008

4. Statement of Financial Position *(item 4)*

	Consolidated Entity	
	2010 **$'000**	**2009** **$'000**
CURRENT ASSETS		
Cash and cash equivalents	838	1,359
Receivables	813	942
Inventories	2,134	2,191
Current tax receivable	366	-
Other current assets	255	231
TOTAL CURRENT ASSETS	**4,406**	**4,723**
NON-CURRENT ASSETS		
Other financial assets	384	506
Deferred tax assets	305	295
Plant and equipment	3,638	3,792
Intangible assets	25,037	30,064
TOTAL NON-CURRENT ASSETS	**29,364**	**34,657**
TOTAL ASSETS	**33,770**	**39,380**
CURRENT LIABILITIES		
Payables	1,972	1,920
Borrowings	6,224	1,754
Current tax payable	-	630
Provisions	834	757
TOTAL CURRENT LIABILITIES	**9,030**	**5,061**
NON-CURRENT LIABILITIES		
Borrowings	120	5,245
Provisions	97	93
TOTAL NON-CURRENT LIABILITIES	**217**	**5,338**
TOTAL LIABILITIES	**9,247**	**10,399**
NET ASSETS	**24,523**	**28,981**
EQUITY		
Contributed capital	24,778	24,778
Reserves	2,615	2,701
Retained earnings	(2,870)	1,502
TOTAL EQUITY	**24,523**	**28,981**

5. Statement of Cash Flows *(item 5)*

	Consolidated Entity	
	2010	**2009**
	$'000	**$'000**
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	31,192	27,775
Payments to suppliers and employees	(28,793)	(24,169)
Dividends received	42	56
Interest received	18	79
Finance costs	(560)	(449)
Income tax paid	(1,119)	(752)
Net cash provided by operating activities	**780**	**2,540**
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of plant and equipment	6	-
Payment for plant and equipment	(652)	(1,332)
Payment for investments	-	(8,535)
Net cash used in investing activities	**(646)**	**(9,867)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	521	8,023
Repayment of borrowings	(1,176)	(1,205)
Dividends paid	-	(763)
Net cash (used in) / provided by financing activities	**(655)**	**6,055**
Net decrease in cash and cash equivalents	(521)	(1,272)
Cash and cash equivalents at beginning of year	1,359	2,631
Cash and cash equivalents at end of the year	**838**	**1,359**

6. Dividends *(item 6)*

	Date of payment	Total amount of dividend
Interim dividend – year ended 30 June 2010	N/A	N/A
Final dividend – year ended 30 June 2009	N/A	N/A

8. Statement of retained earnings *(item 8)*

	Consolidated Entity	
	2010	**2009**
	$'000	**$'000**
Balance at the beginning of year	1,502	881
Net (loss) / profit attributable to members of the parent entity	(4,372)	1,384
Total available for appropriation	(2,870)	2,265
Dividends paid	-	(763)
Balance at end of year	(2,870)	1,502

9. Net tangible assets per security *(item 9)*

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	($0.004)	($0.01)

15. Audit of the financial report *(item 15)*

The financial report is in the process of being audited.

16. The audit has not yet been completed

The financial report is not likely to be the subject of dispute or qualification.