

Cosmedics Australia Limited

ABN 38 002 862 017

INTERIM FINANCIAL REPORT 31 December 2006

COSMEDICS AUSTRALIA LIMITED

A.B.N. 38 002 862 017

(Incorporated in New South Wales)

Financial Statements for the Year Ended 31 December 2006

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DIRECTORS REPORT

Your directors present their report on the financial statements of the Company for the year ended 31 December 2006.

Directors

The following persons held office as Directors of Cosmedics Australia Limited (Cosmedics) during the year and at the date of this report.

B. Douglass
V. Forge
R. Mitchell

Activities

During the period under review, your Directors continued negotiations and due diligence in relation to the acquisition of both Australian Medical Imaging and Melbourne Medical Imaging. An Independent Experts Report was commissioned in relation to Australian Medical Imaging but was not completed pending the inclusion of Melbourne Medical Imaging and the injection of funds into Australian Medical Imaging.

The Intense Pulse Light beauty business continued to operate and negotiations to open a city office for that business were completed.

A placement of 2,200,000 shares and December 07 options raised \$220,000.00 in working capital. The company continued to operate at a loss and your Directors remain committed to the announced focus on Medical Imaging, as this represents a positive future for the company.

The company has invested in two distinct businesses comprising laser cosmetics and development of medical practice management solutions. During the period the directors considered the impairment of the assets associated with these investments.

To date the medical practice management solutions operation is untested as the company focus has been on developing the medical imaging business. The company holds the propriety software and hardware to market the medical practice management solution product in the future and the directors are of the opinion the value of assets held attributable to this investment is maintainable whilst at present untested in the marketplace.

In respect of the laser operations, during the last six months turnover has decreased, however the directors consider this to be a short term matter and are confident sales will improve to June 2007. Notwithstanding future revenue growth, the directors consider it appropriate to apply a 25% impairment to the value of goodwill carried in respect of these operations to recognise the current decline in operating revenue.

Results

The consolidated operating loss of the economic entity for the period was \$416,787 (2005: \$1,482,347 loss). No income tax expense or benefit was brought to account.

Dividends

No dividend has been declared by the Directors and no dividend is recommended in respect of the current year.

Events Subsequent to Balance Date

The following events have occurred since the end of the half year.

As announced on 1st March, 2007 an agreement has been reached for CMA to acquire Melbourne Medical Imaging which is opening on March 19th an imaging practice at 100 Victoria Parade, East Melbourne.

This imaging practice is also equipped with 'state of the art' equipment, including a 64 slice CT scanner. Specialist radiologists have been engaged for the practice, which is opposite St Vincent's hospital. This acquisition is also subject to shareholder approval and an independent experts report.

Further share issues of:

637,500 ordinary shares as announced on the 5th March 2007 were issued raising \$51,000 in working capital.

250,000 ordinary shares were issued to Mr Steve Erichsen who retired as Company Secretary on the 16th March, 2007.

Corporate Governance

The Board of Directors is responsible for directing the business and the strategy of Cosmedics towards enhancing shareholder wealth.

Under the Company's constitution the Board must have no less than 3 directors and no more than 10 directors. The Board currently consists of an Executive Chairman and Managing Director, an Executive Director and a Non-Executive Director. The Company Secretary is responsible for assisting the Board and for all company secretarial matters relating to the Company's activities.

The details of the Board meetings held during the half year to 31 December, 2006 are set out on page 3. Procedures are in place to ensure that directors are able to meet either in person or by telephone to consider urgent matters as and when they arise. In addition, decisions of the Board may also be made by a written resolution.

The fees payable to directors have been set at \$40,000.00 per annum per director.

The terms of employment of the Managing Director and the Executive Director has been set by the Board in the absence, as appropriate, of the Managing Director and the relevant Executive Director.

The Board has continued to operate with the minimum number of directors.

Information of Directors

Bronte Douglass MB,BS,DPH,DIH. Dr Douglass, for some 30 years, was involved in the pathology industry. He was responsible for the establishment and growth of Douglass Laboratories which, under his management, became one of the largest pathology companies in Australia. Douglass Laboratories formed the core of the pathology operations of Sonic Healthcare Limited, a highly successful listed company. Subsequently he established a new pathology company, Diagnostic Pathology, which was sold to Alpha Healthcare Limited and on sold again to Sonic Healthcare. Dr Douglass has been responsible for the operation of a Cosmetic Clinic that has now for five years provided Intense Pulse Light, ELOS and other cosmetic procedures. He has also had more than 15 years experience in operating Medical Centres.

Vicki Forge Mrs Forge has been involved in the day to day operations of medical companies for the past 22 years. She was a Director, for 14 years, of a Medical Centre company and for the last 5 years has been responsible for the day to day operations of a Cosmetic Clinic. For 21 years she has been involved in the day to day operations of medical companies as Personal Assistant to the Managing Director.

Robin Mitchell MB,BS,DIH,AFOM FACOM Dr Mitchell is the Principal of the Airport Health Medical Centre and has been involved, in clinical medicine, aviation medicine and occupational health for more than 30 years. He is a senior consultant in occupational health in this country and has provided services for more than 50 companies in manufacturing, transport and service industries. Dr Mitchell is also a seasoned and successful personal investor and has had extensive interests in property and service businesses.

Meetings of Directors

During the 6 months 4 meetings of directors were held. Attendances were:-

Name

B. Douglass	4
V. Forge	4
R. Mitchell	4

Indemnifying an Officer or Auditor

No indemnities have been provided or insurance cover obtained to insure each of the directors, officers and auditors of the company, against any costs and expenses incurred by them in defending any legal proceeding arising out of their conduct while acting in their capacity as an officer or auditor of the company.

Directors Benefits

No director of Cosmedics has received or become entitled to receive a benefit by reason of the contract made or proposed by the Company or a related corporation with the director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest, other than Dr B Douglass, Director, whose company receives management fees in the normal course of business, and rental for the premises occupied by Cosmedics.

Options

At the date of this report, there are 19,375,000 un-issued ordinary shares under option of Cosmedics that expire on 31 December, 2007 at an exercise price of \$0.1333.

Environmental Issues

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

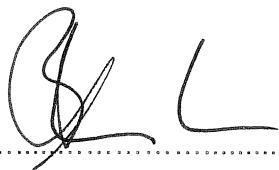
Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

The written Auditor's Independence Declaration in relation to the review of the half-year financial report has been included at page 3, and forms part of this report.

Signed at Sydney this 16th day of March 2007
in accordance with a resolution of the directors.



..... (Director)

Dr Bronte Douglas



..... (Director)

Vicki Forge

Benbow & Pike

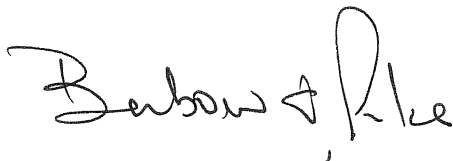
Chartered Accountants

ABN 76 939 671 350

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF COSMEDICS AUSTRALIA
LIMITED AND CONTROLLED ENTITIES**

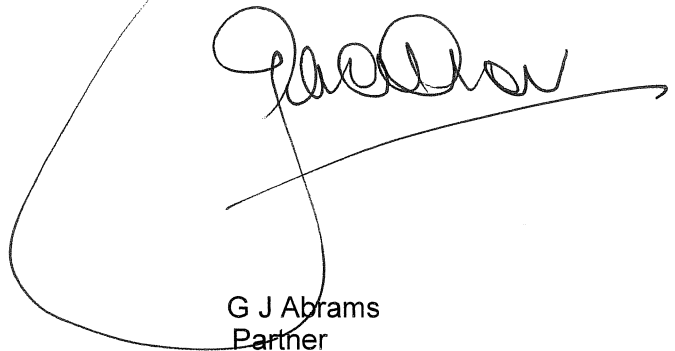
I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2006, there have been:

- i. no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.



Benbow & Pike
Chartered Accountants
North Sydney

Dated: 16 March 2007



G J Abrams
Partner

Benbow & Pike

Chartered Accountants

ABN 76 939 671 350

INDEPENDENT REVIEW REPORT

TO THE MEMBERS OF COSMEDICS AUSTRALIA LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the economic entity, for the period ended 31 December 2006.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the entity and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review Approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Newcastle Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia, so as to present a view which is consistent with our understanding of the entity's financial position, and of their performance as represented by the results of their operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

In constructing our review, we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors Report.

Conclusion

Qualification

During the period the directors provided for impairment on assets held to operate business investments to the value of \$109,130 as set out within the directors report attached hereto. While we recognize a degree of impairment has occurred we are not able to form an opinion as to the quantum of this impairment as at 31 December 2006 and subsequently the value of the goodwill reported in the Balance Sheet.

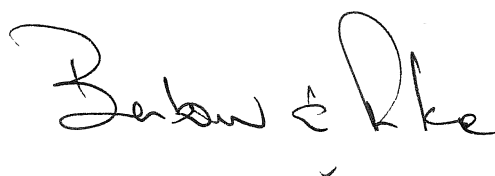
Statement

Based on our review, which is not an audit, we have not become aware of any matter, apart from the matter referred to in the qualification above that makes us believe that the financial report of the company is not in accordance with:

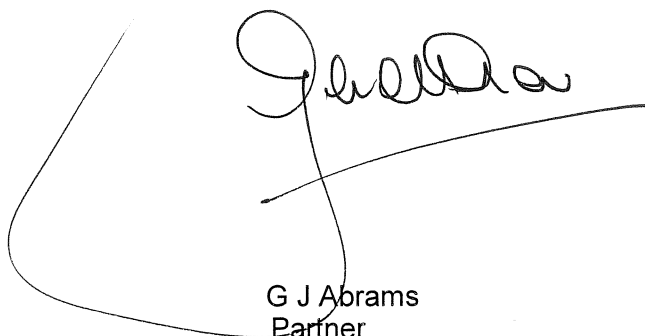
(a) The *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the consolidated entity's financial position at 31 December 2006 and of its performance for the six months ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and

(b) Other mandatory financial reporting requirements in Australia.



Benbow & Pike
Chartered Accountants
North Sydney



G J Abrams
Partner

Dated: 16 March 2007

DIRECTORS' DECLARATION

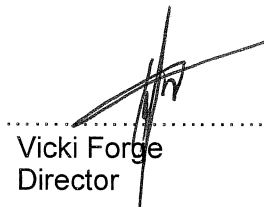
In accordance with a resolution of the Directors of Cosmedics Australia Limited we state that in the opinion of the Directors:

- (a) The half year consolidated financial statements and notes as set out on pages 10 to 24 are in accordance with the Corporations Act and:
 - (i) Give a true and fair view of the financial position as at 31 December 2006 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) Comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



Bronte Douglass
Director



Vicki Forge
Director

Dated: 16 March 2007

COSMEDICS AUSTRALIA LIMITED**A.B.N. 38 002 862 017**

(Incorporated in New South Wales)

Financial Statements for the Half Year Ended 31 December 2006

CONSOLIDATED INCOME STATEMENT

	Consolidated 31/12/06 2006 \$	Consolidated 30/6/06 2006 \$	Entity 31/12/05 2005 \$
Revenues from ordinary activities	109,607	167,091	270,205
Depreciation and amortisation Expense	10,808	10,637	10,656
Other expenses from ordinary activities	406,500	531,347	593,302
Asset impairment write down (on adoption of AIFRS)	109,130	1,107,454	4,037,590
Total expenses	526,438	1,649,438	4,641,548
Loss from ordinary activities before income tax expense	(416,831)	(1,482,347)	(4,371,343)
Income tax relating to ordinary activities	-	-	-
Loss from ordinary activities after income tax expense	(416,831)	(1,482,347)	(4,371,343)
Total revenues, expenses and valuation adjustments attributable to members and recognised directly in equity	(416,831)	(1,482,347)	(4,371,343)
Basic earnings per share (cents)	(0.63)	(2.24)	(8.03)
Diluted earnings per share (cents)	(0.41)	(1.70)	(4.91)

COSMEDICS AUSTRALIA LIMITED**A.B.N. 38 002 862 017**

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Financial Statements for the Half Year Ended 31 December 2006

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Consolidated 31/12/06 2006 \$	Entity 31/12/06 2006 \$	Consolidated 30/6/06 2006 \$	Entity 31/12/05 2005 \$
CURRENT ASSETS				
Cash Assets	(4,729)	(4,729)	(5,279)	30,691
Receivables	-	-	-	3,388
Inventories	150,000	-	194,649	194,649
Other	4,149	4,149	4,149	4,149
TOTAL CURRENT ASSETS	149,420	(580)	193,519	232,877
NON-CURRENT ASSETS				
Other Amounts Receivable	-	-	-	3,048
Investment in Subsidiary	-	200,000	-	-
Property, Plant and Equipment	112,644	112,644	277,997	1,395,168
Intangibles	327,389	327,389	436,519	486,519
TOTAL NON-CURRENT ASSETS	440,033	640,033	714,516	1,884,735
TOTAL ASSETS	589,453	639,453	908,035	2,117,612
CURRENT LIABILITIES				
Payables	369,440	369,440	397,670	237,883
Payroll Liabilities	43,206	43,206	36,621	28,735
Provisions	3,787	3,787	7,681	-
Interest Bearing Liabilities	18,351	18,351	27,097	12,608
TOTAL CURRENT LIABILITIES	434,784	434,784	469,069	279,226
NON CURRENT LIABILITIES				
Payables	28,756	155,587	116,222	107,771
Interest Bearing Liabilities	35,067	35,067	35,067	62,165
TOTAL NON CURRENT LIABILITIES	63,823	190,654	151,289	169,936
TOTAL LIABILITIES	498,607	625,438	620,358	449,162
NET ASSETS	90,846	14,015	287,677	1,668,450
SHAREHOLDERS' EQUITY				
Contributed Equity	8,751,277	8,751,277	8,531,277	8,429,702
Accumulated Losses	(8,243,600)	(8,320,475)	(6,761,253)	(2,389,909)
Current Year Earnings/(Losses)	(416,831)	(416,787)	(1,482,347)	(4,371,343)
TOTAL SHAREHOLDERS' EQUITY	90,846	14,015	287,677	1,668,450

COSMEDICS AUSTRALIA LIMITED**A.B.N. 38 002 862 017**

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Financial Statements for the Half Year Ended 31 December 2006

CONSOLIDATED STATEMENT OF CASH FLOWS

	Consolidated 31/12/06 2006 \$	Consolidated 30/6/06 2006 \$	Entity 31/12/05 2005 \$
Cash Flow from Operating Activities			
Receipts from Customers	109,582	170,277	272,394
Interest Received	25	202	119
Payments to Suppliers and Employees	(371,369)	(240,234)	(545,295)
Finance Charges	(15,977)	(24,487)	(28,140)
Goods and Services Tax Refunded	-	-	292,549
Net Cash used in Operating Activities	<u>(277,739)</u>	<u>(94,242)</u>	<u>(8,373)</u>
Cash Flow from Investing Activities			
Purchase of Property, Plant and Equipment	-	(920)	(1,271)
Sale of Property, Plant and Equipment	154,545	-	-
Net Cash used in Investing Activities	<u>154,545</u>	<u>(920)</u>	<u>(1,271)</u>
Cash Flow from Financing Activities			
Proceeds from issue of shares	220,000	13,350	-
Repayment of Borrowings	(98,814)	(12,609)	(114,082)
Proceeds from Borrowings	2,558	58,451	138,225
Net Cash provided by Financing Activities	<u>123,744</u>	<u>59,192</u>	<u>24,143</u>
Net (Decrease) in Cash Held	<u>550</u>	<u>(35,970)</u>	<u>14,499</u>
Cash at 30 June 2006	<u>(5,279)</u>	<u>30,691</u>	<u>16,192</u>
Cash at 31 December 2006	<u><u>(4,729)</u></u>	<u><u>(5,279)</u></u>	<u><u>30,691</u></u>

COSMEDICS AUSTRALIA LIMITED**A.B.N. 38 002 862 017**

(Incorporated in New South Wales)

Financial Statements for the Half Year Ended 31 December 2006

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	31/12/06 2006 \$	30/06/06 2006 \$	31/12/05 2005 \$
Total equity at the beginning of the period:	287,677	1,668,450	3,539,793
Net Profit/(Loss) for the period	(416,831)	(1,482,347)	(4,371,343)
	<u>(129,154)</u>	<u>186,103</u>	<u>(831,550)</u>
Other movements in equity for the period:			
Shares issued during the period	<u>220,000</u>	<u>101,574</u>	<u>2,500,000</u>
Total equity at the end of the period:	<u>90,846</u>	<u>287,677</u>	<u>1,668,450</u>

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This interim financial report covers the economic entity of Cosmedics Australia Limited (the 'Entity') and its subsidiaries (the 'Group'), and as such does not include all the notes of the type normally included in a financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006, and any public announcements made by Cosmedics Australia Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act, 2001.

Basic Accounting Principles

The half-year financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial report.

The half-year financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discreet reporting period.

Statement of Compliance

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

Summary of significant accounting policies

(a) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

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

- Buildings and integral plant – 40 years.
- Leasehold improvements – over lease term
- Plant and equipment, other than plant integral to buildings – various periods not exceeding 10 years

Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of property plant and equipment is the greater 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 in a pre-tax discount rate that reflects current market assessments for the time value of money and the risks specific to the asset.

(b) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised.

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

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and part of the 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 circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(c) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

(d) Inventories

Inventories are recorded using the FIFO method and are valued at the lower of cost and net realisable value. 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.

Inventories include medical supplies to be consumed in providing future services and completed units of 'Medistations' ready for sale.

(e) Trade and other receivables

Trade receivables which generally have 15-30 day terms are recognised and carried original invoice amount less any allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(f) Cash and cash equivalents

Cash and short term deposits and the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of 3 months or less.

For the purposes of the Cash Flow Statement cash and cash equivalents consists of cash and cash equivalents as defined above net of outstanding bank overdrafts.

(g) Provisions

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.

Where 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.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(h) Leases

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. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(i) Revenue

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:

Sale of goods

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

Rendering of services

Revenue from services is recognised on the date on which the services were provided to the patient.

Interest

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.

(j) 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 where the deferred income tax liability 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; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences 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 assets and unused tax losses can be utilised:

- except where 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; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences 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.

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 the income statement.

(k) Other taxes

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

- where 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 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.

(I) Earnings per share (EPS)

Basic EPS for profit is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity and preference dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS for profit is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity 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.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated 31/12/06 2006 \$	Consolidated 30/06/06 2006 \$	Entity 31/12/05 2005 \$
2. EARNINGS PER SHARE			
Net profit and earnings used in the calculation of dilutive EPS	<u>(416,831)</u>	<u>(1,482,347)</u>	<u>(4,371,343)</u>
Weighted average number of ordinary shares	65,741,571	29,412,719	54,445,451
Weighted average number of options outstanding	18,143,478	34,166,101	32,075,005
3. CONTRIBUTED EQUITY			
68,277,018 Ordinary Shares fully paid. (31 Dec 05: 65,315,016)	<u>8,624,777</u>	<u>8,415,777</u>	<u>8,304,452</u>
At the beginning of the reporting period	8,415,777	8,304,452	5,804,452
Shares issued for goodwill purchased	-	-	2,500,000
Other	209,000	111,325	-
At reporting date	<u>8,624,777</u>	<u>8,415,777</u>	<u>8,304,452</u>
	No.	No.	No.
At the beginning of the reporting period	66,077,018	65,315,016	52,815,016
Purchased businesses and goodwill	-	-	12,500,000
Placements	2,220,000	762,002	-
Bonus Issue	-	-	-
At reporting date	<u>68,277,018</u>	<u>66,077,018</u>	<u>65,315,016</u>
Options Placed	126,500	115,500	125,250
Total Share Capital	<u>8,751,277</u>	<u>8,531,277</u>	<u>8,429,702</u>

Share Options Issued:

2,220,000 December 2007 options were issued during the 6 months to 31/12/2006.

COSMEDICS AUSTRALIA LIMITED**A.B.N. 38 002 862 017**

(Incorporated in New South Wales)

Financial Statements for the Half Year Ended 31 December 2006

SHAREHOLDER DISTRIBUTION INFORMATION**ORDINARY SHARES**

Ranges	Investors	Securities	% Issued Capital
1 – 1,000	595	594,100	0.87
1,001 – 5,000	51	150,633	0.22
5,001 – 10,000	106	757,283	1.11
10,001 – 100,000	117	4,279,479	6.27
100,001 – and over	<u>47</u>	<u>62,495,523</u>	<u>91.54</u>
Total	<u>916</u>	<u>68,277,018</u>	<u>100.00</u>

OPTIONS (DEC 2007)

Ranges	Investors	Securities	% Issued Capital
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 – and over	<u>23</u>	<u>19,375,000</u>	<u>100.00</u>
Total	<u>23</u>	<u>19,375,000</u>	<u>100.00</u>

COSMEDICS AUSTRALIA LIMITED**A.B.N. 38 002 862 017**

(Incorporated in New South Wales)

Financial Statements for the Half Year Ended 31 December 2006

SHAREHOLDERS INFORMATION**The 20 largest shareholders at 31 December 2006:****ORDINARY FULLY PAID SHARES**

Rank	Investor	Current Balance	% Issued Capital
1	Douglass Automated Laboratories and Allied Services Pty Limited	15,139,503	22.17%
2	SSH Medical Limited	11,813,000	17.30%
3	ANZ Nominees Limited <Cash Income A/C>	7,471,739	10.94%
4	Stomar Pty Limited <Malachi A/C>	5,625,000	8.24%
5	David Peter Hawley + Jenny Ree Hawley	1,900,000	2.78%
6	D & G Mason Nominees Pty Ltd	1,875,000	2.75%
7	N & V Curie Pty Ltd	1,875,000	2.75%
8	Clark & Bradly Computer Services Pty Limited <Braddon Central Discretionary A/C>	1,858,498	2.72%
9	Send Judah First Pty Limited <Marsh Family A/C>	1,509,073	2.21%
10	Nimrod Developments Pty Ltd	1,500,000	2.20%
11	Geoff Cowan & Associates Pty Limited <Cowan Discretionary A/C>	1,144,473	1.68%
12	LAH Securities Pty Ltd	798,719	1.17%
13	Reynolds Nominees Pty Limited	753,000	1.10%
14	Tony Del Gigante + Christine May Del Gigante <Crestvale Super Fund A/C>	750,000	1.10%
15	Paul Williams	750,000	1.10%
16	Malcolm Bird	600,003	.88%
17	Resource Capital Australia Pty Limited	550,000	.81%
18	Four D Nominees Superannuation Pty Ltd <TM & JA Dunn A/C>	500,000	.73%
19	Mr James Crawford	450,000	.66%
20	Mr Bruce Harvey	450,000	.66%
TOTAL FOR TOP 20:		57,313,008	83.94%
Investors			
TOTAL IN THIS REPORT:		20	57,313,008 83.94%
TOTAL OTHER INVESTORS:		896	10,964,010 16.06%
GRAND TOTAL:		916	68,277,018 100.00%

COSMEDICS AUSTRALIA LIMITED**A.B.N. 38 002 862 017**

(Incorporated in New South Wales)

Financial Statements for the Half Year Ended 31 December 2006

OPTIONS – 31/12/2007 EXPIRY EXERCISEABLE AT \$0.133333

Rank	Investor	Current Balance	% Issued Capital
1	D & G Mason Nominees Pty Ltd	2,437,500	12.58%
2	N & V Curie Pty Ltd	2,437,500	12.58%
3	Greg Collier + Carol Collier	1,500,000	7.74%
4	Margaret Ruth Collier	1,500,000	7.74%
5	John Kerrigan	1,500,000	7.74%
6	Nimrod Developments Pty Ltd	1,500,000	7.74%
7	Stomar Pty Limited <Malachi A/C>	1,500,000	7.74%
8	Stomar Pty Limited <Collier Benefits Super Fund A/C>	1,500,000	7.74%
9	Mr Anthony Chen	900,000	4.65%
10	Mr Michael Patrick Kerrigan	750,000	3.87%
11	Jack Voytek Wachmiller	750,000	3.87%
12	Four D Nominees Superannuation Pty Ltd <TM & JA Dunn A/C>	500,000	2.58%
13	Mr David James Harrington	375,000	1.94%
14	Carla Douglass	300,000	1.55%
15	Microlaw Pty Limited	300,000	1.55%
16	Mr Anthony John Pomeroy	300,000	1.55%
17	David Peter Hawley + Jenny Ree Hawley	225,000	1.16%
18	Joellen Henderson	225,000	1.16%
19	Mr Todd Van Skiver	225,000	1.16%
20	Howard Lesmana	200,000	1.03%
TOTAL FOR TOP 20:		18,925,000	97.68%
Investors			
TOTAL IN THIS REPORT:		20 18,925,000	97.68%
TOTAL OTHER INVESTORS:		3 450,000	2.32%
GRAND TOTAL:		23 19,375,000	100.00%