

FORM: Half yearly/preliminary final report

Name of *issuer*

Cosmedics Australia Limited

ACN or ARBN

002 862 017

Half yearly
(tick)

X

Preliminary
final (tick)

Half year/financial year ended
('Current period')

31 December 2004

For announcement to the market

Extracts from this statement for announcement to the market (see note 1).

\$A				
Sales (or equivalent) operating revenue (item 1.1)	up	17.53%		
		229,891	to	270,181
Operating profit (loss) before abnormal items and tax (item 1.4)	down	352.05%		
		(81,662)	to	(369,156)
Abnormal items before tax (item 1.5)		gain (loss) of	to	N/A
Operating profit (loss) after tax but before outside equity interests (item 1.8)	down	352.05%		
		(81,662)	to	(369,156)
Extraordinary items after tax attributable to members (item 1.13)		gain (loss) of	to	
Operating profit (loss) and extraordinary items after tax attributable to members (item 1.16)	down	352.05%		
		(81,662)	to	(369,156)
Exploration and evaluation expenditure incurred (item 5.2)	N/A	%	to	
Exploration and evaluation expenditure written off (item 5.3)	N/A	%	to	
Dividends Franking rate applicable		N/A		
Current period	¢	N/A	¢	N/A
Previous corresponding period	¢	¢	¢	¢
Record date for determining entitlements to the dividend, (in the case of a trust distribution) (see item 15.2)		N/A		
Short details of any bonus or cash issue or other items(s) of importance not previously released to the market:				
N/A				

Consolidated profit and loss account

(The figures are not equity accounted)

	Current period \$A	Previous corresponding period \$A
1.1 Sales (or equivalent operating) revenue	270,181	229,891
1.2 Other revenue	1,843	9,804
1.3 Total revenue	272,024	239,695
1.4 Operating profit (loss) before abnormal items and tax	(369,156)	(81,662)
1.5 Abnormal items before tax (detail in item 2.1)	-	-
1.6 Operating profit (loss) before tax (items 1.4 + 1.5)	(369,156)	(81,662)
1.7 Less tax	-	-
1.8 Operating profit (loss) after tax but before outside equity interests	(369,156)	(81,662)
1.9 Less outside equity interests	-	-
1.10 Operating profit (loss) after tax attributable to members	(369,156)	(81,662)
1.11 Extraordinary items after tax (detail in item 2.3)	-	-
1.12 Less outside equity interests	-	-
1.13 Extraordinary items after tax attributable to members	-	-
1.14 Total operating profit (loss) and extraordinary items after tax (items 1.8 1.11)	(369,156)	(81,662)
1.15 Operating profit (loss) and extraordinary items after tax attributable to outside equity interests (items 1.9 .112)	-	-
1.16 Operating profit (loss and extraordinary items after tax attributable to members (items 1.10 +1.13)	(369,156)	(81,662)
1.17 Retained profits (accumulated losses) at beginning of financial period	(1,225,361)	(530,926)
1.18 Aggregate of amounts transferred from reserves	-	-
1.19 Total available for appropriation (carried forward)	(1,624,517)	(612,588)
1.20 Total available for appropriation (brought forward)	(1,624,517)	(612,588)

Consolidated profit and loss account continued

1.21 Dividends provided for or paid	-	-
1.22 Aggregate or amounts transferred to reserves	-	-

1.23	Retained profits (accumulated losses) at tend of financial period	(1,624,517)	(612,588)
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Abnormal and extraordinary items

		Consolidated - current period		
		Before tax \$A	Related tax \$A	After tax \$A
2.1	Abnormal items	N/A	N/A	N/A
2.2	Total abnormal items			
2.3	Extraordinary items	N/A	N/A	N/A
2.4	Total extraordinary items			

Comparison of half year profits

(Preliminary final statement only)

		Current year \$A	Previous year \$A
3.1	Consolidated operating profit (loss) after tax attributable to members reported for the 1st half year (item 1.10 in the half yearly statement)	N/A	N/A
3.2	Consolidated operating profit (loss) after tax attributable to members for the 2nd half year	N/A	N/A

Consolidated balance sheet

(See note 5)

Current assets		At end of current period \$A	As shown in last annual report \$A	As in last half yearly statement \$A
4.1	Cash	5,922	2,060	3,168
4.2	Receivable	6,937	40,649	27,420
4.3	Investments			
4.4	Inventories	5,000	5,000	7,000
4.5	Other (provide details if material)	210,000	-	21,872
4.6	Total current assets	227,859	47,709	59,460
Non-current assets				
4.7	Receivables	2,698	-	30,313
4.8	Investments	-	-	-
4.9	Inventories	-	-	-
4.10	Exploration and evaluation expenditure capitalised (see para .71 of AASB 1022)	-	-	-
4.11	Development properties (mining entities)	-	-	-
4.12	Other property, plant and equipment (net)	151,892	154,883	169,934
4.13	Intangibles (net)	979,695	693,466	1,067,560
4.14	Other (provide details if material)	4,149	4,149	4,149
4.15	Total non-current assets	1,138,434	852,498	1,271,956
4.16	Total assets	1,366,293	900,207	1,331,416
Current liabilities				
4.17	Accounts payable	75,099	40,482	69,975
4.18	Borrowings	11,459	18,939	31,891
4.19	Provisions	-	-	-
4.20	Other (provide details if material)	8,805	33,464	16,815
4.21	Total current liabilities	95,363	92,885	118,681
Non-current liabilities				
4.22	Accounts payable	138,902	268,397	35,932
4.23	Borrowings	86,793	94,284	89,389
4.24	Provisions	-	-	-
4.25	Other (provide details if material)	-	-	-
4.26	Total non-current liabilities)	225,695	362,681	125,321
4.27	Total liabilities	321,058	455,566	244,002
4.28	Net assets	1,045,235	444,641	1,087,414

Consolidated balance sheet continued

Equity				
4.29	Capital	2,669,752	1,700,002	1,700,002
4.30	Reserves	-	-	-
4.31	Retained profits (accumulated losses)	(1,624,517)	(1,255,361)	(612,588)
4.32	Equity attributable to members of the parent entity	-	-	-
4.33	Outside equity interests in controlled entities	-	-	-
4.34	Total equity	1,045,235	444,641	1,087,414
4.35	Preference capital and related premium included as part of 4.31	-	-	-

Exploration and evaluation expenditure capitalised

To be completed only by issuers with mining interests if amounts are material. Include all expenditure incurred regardless of whether written off directly against profit

		Current period \$A	Previous corresponding period \$A
5.1	Opening balance	N/A	N/A
5.2	Expenditure incurred during current period	N/A	N/A
5.3	Expenditure written off during current period	N/A	N/A
5.4	Acquisitions, disposals, revaluation increments, etc.	N/A	N/A
5.5	Expenditure transferred to Development Properties	N/A	N/A
5.6	Closing balance as shown in the consolidated balance sheet (item 4.9)	N/A	N/A

Development properties

(To be completed only by issuers with mining interests if amounts are material)

		Current period \$A	Previous corresponding period \$A
6.1	Opening balance	N/A	N/A
6.2	Expenditure incurred during current period	N/A	N/A
6.3	Expenditure transferred from exploration and evaluation	N/A	N/A
6.4	Expenditure written off during current period	N/A	N/A
6.5	Acquisitions, disposals, revaluation increments, etc.	N/A	N/A
6.6	Expenditure transferred to mine properties	N/A	N/A
6.7	Closing balance as shown in the consolidated balance sheet (item 4.10)	N/A	N/A

Consolidated statement of cash flows

(See note 6)

		Current period \$A	Previous corresponding period \$A
	Cash flows related to operating activities		
7.1	Receipts from customers	303,893	202,472
7.2	Payments to suppliers and employees	(599,660)	(234,683)
7.3	Dividends received	-	-
7.4	Interest and other items of similar nature received	1,843	67
7.5	Interest and other costs of finance paid	(14,971)	-
7.6	Income taxes paid	-	-
7.7	Other (provide details if material)	-	-
7.8	Net operating cash flows	(308,895)	(32,144)
	Cash flows related to investing activities		
7.9	Payments for purchases of property, plant and equipment	(7,300)	(129,367)
7.10	Proceeds from sale of property, plant and equipment	-	-
7.11	Payment for purchases of equity investments	-	-
7.12	Proceeds from sale of equity investments	-	30,160
7.13	Loans to other entities	-	1,471
7.14	Loans repaid by other entities	-	-
7.15	Other (provide details if material)	-	-
7.16	Net investing cash flows	(7,300)	(97,736)
	Cash flows related to financing activities		
7.17	Proceeds from issues of securities (shares, options, etc.)	452,250	-
7.18	Proceeds from borrowings	-	-
7.19	Repayment of borrowings	(132,193)	121,278
7.20	Dividends paid	-	-
7.21	Other (provide details if material)	-	-
7.22	Net financing cash flows	320,057	121,278
	Net increase (decrease) in cash held	3,862	(8,602)
7.23	Cash at beginning of period (see Reconciliations of cash)	2,060	11,770
7.24	Exchange rate adjustments to item 7.23	-	-
7.25	Cash at end of period (see Reconciliation of cash)	5,922	3,168

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. If an amount is quantified, show comparative amount.

N/A

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current period \$A	Previous corresponding period \$A
8.1 Cash on hand and at bank	5,922	3,168
8.2 Deposits at call	-	-
8.3 Bank overdraft	-	-
8.4 Other (provide details)	-	-
8.5 Total cash at end of period (item 7.25)	5,922	3,168

Ratios

	Current period	Previous corresponding period
Profit before abnormals and tax/sales		
9.1 Consolidated operating profit (loss) before abnormal items and tax (items 1.4) as a percentage of sales revenue (items 1.1)	(136.63%)	(35.52%)
Profit after tax/equity interests		
9.2 Consolidated operating profit (loss) after tax attributable to members (item 1.10) as a percentage of equity (similarly attributable) at the end of the period (item 4.34)	(35.32%)	(7.51%)

Earnings per security (EPS)

10.1 Calculation of basic, and fully diluted, EPS in accordance with AASB 1027: Earnings per Share		
(a) Basic EPS	(1.93)	(0.51)
(b) Diluted EPS (if materially different from (a))	(1.32)	(0.51)

NTA backing (see note 7)		Current period \$A	Previous corresponding period \$A
11.1	Net tangible asset backing per ordinary security	\$0.003	\$0.001

Details of specific receipts/outlays, revenues/expenses

		Current period \$A	Previous corresponding period \$A
12.1	Interest revenue included in determining items 1.4	1,843	67
12.2	Interest revenue included in item 12.1 but not yet received (if material)	-	-
12.3	Interest expense included in item 1.4 (include all forms of interest, lease finance charges, etc.)	29,014	11,859
12.4	Interest costs excluded from item 12.3 and capitalised in asset values (if material)	-	-
12.5	Outlays (excepts those arising from the acquisition of an existing business) capitalised in intangibles (if material)	-	-
12.6	Depreciation (excluding amortisation of intangibles)	3,875	3,683
12.7	Amortisation of intangibles	21,271	26,203

Control gained over entities having material effect

(See note 8)

13.1	Name of <i>issuer</i> (or <i>group</i>)	N/A
13.2	Consolidated operating profit (loss) and extraordinary items after tax of the <i>issuer</i> (or <i>group</i>) since the date in the current period on which control was acquired	N/A
13.3	Date from which such profit has been calculated	N/A
13.4	Operating profit (loss) and extraordinary items after tax of the <i>issuer</i> (or <i>group</i>) for the whole of the previous corresponding period	N/A

Loss of control of entities having material effect

(See note 8)

14.1	Name of entity (or group)	N/A
14.2	Consolidated operating profit (loss) and extraordinary items after tax of the entity (or group) for the current period to the date of loss of control	N/A
14.3	Date from which the profit (loss) in item 14.2 has been calculated	N/A
14.4	Consolidated operating profit (loss) and extraordinary items after tax of the entity (or group) while controlled during the whole of the previous corresponding period	N/A
14.5	Contribution to consolidated operating profit (loss) and extraordinary items from sale of interest leading to loss of control	N/A

Reports for industry and geographical segments

Information on the industry and geographical segments of the entity must be reported for the current period in accordance with AASB 1005: Financial Reporting by Segments. Because of the different structures employed by entities, a pro forma is not provided. Segment information should be completed separately and attached to this statement. However, the following is the personation adopted in the Appendices to AASB 1005 and indicates which amount should agree with items included elsewhere in this statement.

Segments

Operating Revenue

Sales to customers outside the economic entity

Inter-segment sales

Unallocated revenue

Total revenue (consolidated total equal to item 1.3)

Segment result (including abnormal items where relevant)

Unallocated expenses

Consolidated operating profit after tax (before equity accounting) (equal to item 1.8)

Segment	assets)	Comparative data for segment assets should be as at the
Unallocated	assets)	end of the previous corresponding period
Total assets (equal to item 4.15))	

Dividends

15.1	Date the dividend is payable	N/A
15.2	Record date to determine entitlements to the dividend (ie. on the basis of registrable transfers received up to 5.00 pm)	N/A
18.3	Amount per security	N/A

	Franking rate applicable		39%	36%	33%
	(Preliminary final statement only)				
15.4	Final dividend:	Current year	N/A	N/A	N/A
15.5		Previous year			
	(Half yearly and preliminary final statements)				
15.6	Interim dividend:	Current year	N/A	N/A	N/A
15.7		Previous year			

Total annual dividend (distribution) per security
(Preliminary final statement only)

		Current year	Previous year
15.8	Ordinary securities	N/A	N/A
15.9	Preference securities	N/A	N/A

Total dividend (distribution)

		Current period \$A	Previous corresponding period - \$A
15.10	Ordinary securities	N/A	N/A
15.11	Preference securities	N/A	N/A
15.12	Total	N/A	N/A

The dividend or distribution plans shown below are in operation.

N/A

The last date(s) for receipt of election notices to the dividend or distribution plans	N/A
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Any other disclosures in relation to dividends (distributions)

N/A

Equity accounted associated entities and other material interests

Equity accounting information attributable to the economic entity's share of investments in associated entities must be disclosed in a separate notice. See AASB 1016: Disclosure of Information about Investments in Associated Companies.

Investments in associated entities		Current period \$A	Previous corresponding period \$A
16.1	Statutory carrying value of investments in associated entities (SCV)	N/A	N/A
16.2	Share of associated entities' retained profits and reserves not included in SCV:	N/A	N/A
	Retained profits	N/A	N/A
	Reserves	N/A	N/A
16.3	Equity carrying value of investments	N/A	N/A

Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities.

		Percentage of ownership interest (ordinary securities, units etc) held at end of period		Contributing to operating profits (loss) and extraordinary items after tax	
17.1	Equity accounted associated entities	Current period	Previous corresponding period	Current period	Previous corresponding period
	N/A	N/A	N/A	Equity accounted	
				N/A	N/A
17.2	Other material interests			Not equity accounted (ie part of item 1.14)	
	N/A	N/A	N/A	N/A	N/A

Issued and listed securities

Description includes rate of interest and any redemption or conversion rights together with prices and rates.

Category of securities		Number issued	Number listed	Par value (cents)	Paid-up value (cents)
18.1	Preference securities (description)	N/A			
18.2	Issued during current period	N/A			
18.3	Ordinary securities	23,500,010	22,500,010	20	20
18.4	Issued during current period	7,500,000	6,500,000	20	20
18.5	Convertible debt securities (description and conversion factor)				
18.6	issued during current period	N/A			
18.7	Options (description and conversion factor)			Exercise price \$A	Expiry date
18.8	Issued during current period	1,975,000	975,000	\$0.20	31/12/05
18.9	Exercised during current period	1,000,000		\$0.20	
18.10	Expired during current period	N/A			
18.11	Debentures (totals only)	N/A			
18.12	Unsecured Notes (totals only)	N/A			

Comments by directors

Comments on the following matters are required by the Exchange or, in relation to the half yearly statement, by AASB 1029: Half-Year Accounts and Consolidated Accounts. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) and may be incorporated into the directors' report and statement. For both half yearly and preliminary final statements, if there are no comments in a section, state NIL. If there is insufficient space in comment, attach notes to this statement.

Basis of accounts preparation

If this statement is a half yearly statement, it is a general purpose financial report prepared in accordance with the listing rules and AASB 1029: Half-Year Accounts and Consolidated Accounts. It should be read in conjunction with the last annual report and any announcements to the market made by the issuer during the period. [Delete if in applicable.]

Material factors affecting the revenues and expenses of the issuer for the current period

N/A

A description of each event since the end of the current period which has had a material effect and is not related to matters already reported, with financial effect quantified (if possible)

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

Nil

Changes in accounting policies since the last annual report are disclosed as follows.
(Disclose changes in the half yearly statement in accordance with paragraph 15(c) of AASB 1029: Half-Year Accounts and Consolidated Accounts. Disclose changes in the preliminary final statement in accordance with AASB 101: Accounting Policies-Disclosure.)

N/A

Annual meeting

(Preliminary final statement only)

The annual meeting will be held as follows:

Place

N/A

Date

N/A

Time

N/A

Approximate date the annual report will be available

N/A

Compliance statement

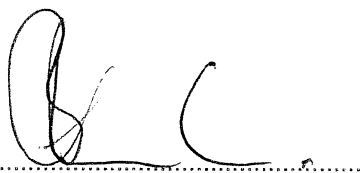
1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange (see note 13).

Identify other standards used

N/A

2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.
3. This statement does give a true and fair view of the matters disclosed (see note 2).
4. This statement is based on financial statements to which one of the following applies:
- ☐ The financial statements have been audited.
- ☒ The financial statements have been subject to review by a registered auditor (or overseas equivalent).
- ☐ The financial statements are in the process of being audited or subject to review.
- ☐ The financial statements have *not* yet been audited or reviewed.
5. The *issuer* does not have a formally constituted audit committee.

Sign here:



Director

Date: 14 March 2004

Print name: Bronte Douglass

Cosmedics Australia Limited

ABN 38 002 862 017

INTERIM FINANCIAL REPORT 31 December 2004

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DIRECTORS REPORT

The Directors present their report on the financial statements of the Company for the half year ended 31st December, 2004.

Directors

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

B. Douglass
V. Forge
R. Mitchell

A. Sharma (Resigned 14 December 2004)
D. Hawley (Appointed 14 December 2004)

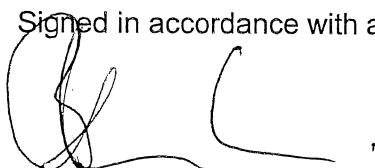
Review and Results of Operations

The operating loss attributable to Members of the company for the period was \$369,156 (31 Dec 2003: \$81,662 loss). No income tax expense or benefit was brought to account.

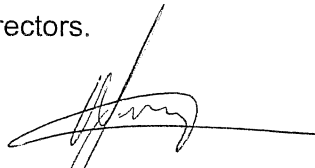
As previously announced, the agreements of August and September 2004 to acquire the intellectual property relating to the safety syringe and the assets relating to its manufacture, have been terminated. In their place a new agreement has been entered into to acquire the intellectual property and "agreement in principle" has been reached with Ensi-Med which allows for the company to acquire the assets relating to the manufacture of the safety syringes on terms that the directors believe to be considerably more attractive. Shareholder approval will be sought for the transactions.

The company has been unable to recruit Medical Practitioners for its Medical Centre and has therefore decided to close the centre and to concentrate on the cosmetic and safety syringe operations. The centre has contributed to the loss made by the company and as a new tenant for the building has been found the losses from the Medical Centre operation will cease. During the six months under review there has been considerable expansion of the cosmetic business, which now operates from 26 locations. While much of this expansion comes as a result of the Medipulse business acquisition, there has also been significant organic growth. The Directors plan to continue the expansion of this cosmetic business.

Signed in accordance with a resolution of the directors.



Bronte Douglass
Director



Vicki Forge
Director

14 March 2005

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 2004.

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 1029 "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 1029 "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

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and 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.

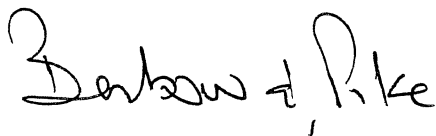
Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Cosmedics Australia Limited is not in accordance with:

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

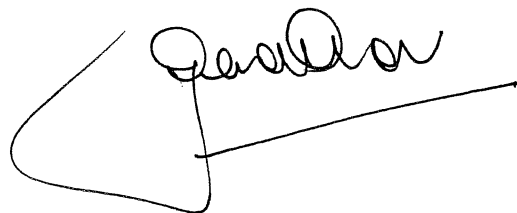
- (i) Giving a true and fair view of the financial position of the consolidated entity at 31 December 2004 and of its performance for the period ended on that date; and
- (ii) Complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and

(b) Other mandatory financial reporting requirements in Australia.



Benbow & Pike
Chartered Accountants
North Sydney

Dated : 14 March 2005

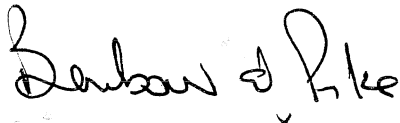


G J Abrams
Partner

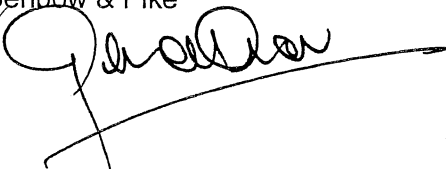
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Auditors Independence Declaration to the Directors of Cosmedics Australia Limited

In relation to our review of the financial report of Cosmedics Australia Limited for the half year ended 31 December 2004, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Benbow & Pike



G J Abrams
Partner

14 March 2005

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)



Chartered Accountants

13/263 Alfred Street (North) North Sydney NSW 2060
Telephone: (02) 9959 3520 Facsimile: (02) 9955 9663
Email: accountants@benbowpike.com.au




Liability is limited
by the Accountants
Scheme

DIRECTORS' DECLARATION

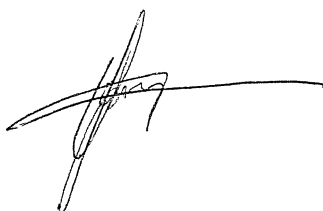
In accordance with a resolution of the Directors of Cosmedics Australia Limited we state that in the opinion of the Directors:

- (a) The half year consolidated financial statements and notes as set out on pages 6 to 11 are in accordance with the Corporations Act and:
 - (i) Give a true and fair view of the financial position as at 31 December 2004 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) Comply with Accounting Standard AASB1029: 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

14 March 2005

STATEMENT OF FINANCIAL PERFORMANCE

	Note	31/12/04 2004 \$	31/12/03 2003 \$
Revenues from ordinary activities		<u>272,024</u>	<u>239,695</u>
Depreciation and amortisation Expense		31,562	29,886
Other expenses from ordinary activities		<u>609,618</u>	<u>291,471</u>
Total expenses		<u>641,180</u>	<u>321,357</u>
Loss from ordinary activities before income tax expense		(369,156)	(81,662)
Income tax relating to ordinary activities		<u>-</u>	<u>-</u>
Loss from ordinary activities after income tax expense		<u>(369,156)</u>	<u>(81,662)</u>
Total revenues, expenses and valuation adjustments attributable to members and recognised directly in equity		<u>(369,156)</u>	<u>(81,662)</u>
Basic earnings per share (cents)	2	(1.93)	(0.51)
Diluted earnings per share (cents)		(1.32)	(0.51)

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

(Incorporated in New South Wales)

Financial Statements for the Half Year Ended 31 December 2004

STATEMENT OF FINANCIAL POSITION

	Note	31/12/04 2004 \$	30/06/04 2004 \$	31/12/03 2003 \$
CURRENT ASSETS				
Cash Assets		5,922	2,060	3,168
Receivables		6,937	40,649	27,420
Inventories		5,000	5,000	7,000
Other		210,000	-	21,872
TOTAL CURRENT ASSETS		<u>227,859</u>	<u>47,709</u>	<u>59,460</u>
NON-CURRENT ASSETS				
Other Amounts Receivable		2,698	-	30,313
Other Financial Assets		4,149	4,149	4,149
Property, Plant and Equipment		151,892	154,883	169,934
Intangibles		979,695	693,466	1,067,560
TOTAL NON-CURRENT ASSETS		<u>1,138,434</u>	<u>852,498</u>	<u>1,271,956</u>
TOTAL ASSETS		<u>1,366,293</u>	<u>900,207</u>	<u>1,331,416</u>
CURRENT LIABILITIES				
Payables		75,099	40,482	69,975
Payroll Liabilities		8,805	33,464	16,815
Interest Bearing Liabilities		11,459	18,939	31,891
TOTAL CURRENT LIABILITIES		<u>95,363</u>	<u>92,885</u>	<u>118,681</u>
NON CURRENT LIABILITIES				
Payables		138,902	268,397	35,932
Interest Bearing Liabilities		86,793	94,284	89,389
TOTAL NON CURRENT LIABILITIES		<u>225,695</u>	<u>362,681</u>	<u>125,321</u>
TOTAL LIABILITIES		<u>321,058</u>	<u>455,566</u>	<u>244,002</u>
NET ASSETS		<u>1,045,235</u>	<u>444,641</u>	<u>1,087,414</u>
SHAREHOLDERS' EQUITY				
Contributed Equity	3	2,669,752	1,700,002	1,700,002
Accumulated Losses		(1,255,361)	(530,926)	(530,926)
Current Year Earnings/(Losses)		<u>(369,156)</u>	<u>(724,435)</u>	<u>(81,662)</u>
TOTAL SHAREHOLDERS' EQUITY		<u>1,045,235</u>	<u>444,641</u>	<u>1,087,414</u>

STATEMENT OF CASH FLOWS

	Note	31/12/04 2004 \$	31/12/03 2003 \$
<i>Cash Flow from Operating Activities</i>			
Receipts from Customers		303,893	202,472
Interest Received		1,843	67
Payments to Suppliers and Employees		(599,660)	(234,683)
Finance Charges		(14,971)	-
Net Cash used in Operating Activities		<u>(308,895)</u>	<u>(32,144)</u>
<i>Cash Flow from Investing Activities</i>			
Purchase of Property, Plant and Equipment		(7,300)	(129,367)
Loans Advanced to Other Entities		-	1,471
Proceeds from Sale of Investments		-	30,160
Net Cash used in Investing Activities		<u>(7,300)</u>	<u>(97,736)</u>
<i>Cash Flow from Financing Activities</i>			
Proceeds from issue of shares		452,250	-
Repayment of Borrowings		(132,193)	-
Net Proceeds from Lease Liability		-	121,278
Net Cash provided by Financing Activities		<u>320,057</u>	<u>121,278</u>
<i>Net (Decrease) in Cash Held</i>		<u>3,862</u>	<u>(8,602)</u>
Cash at 30th June 2004		<u>2,060</u>	<u>11,770</u>
Cash at 31st December 2004		<u>5,922</u>	<u>3,168</u>

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basic Accounting Principles

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This interim financial report covers the economic entity of Cosmedics Australia Limited, and as such does not include all the notes of the type normally included in an financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2004, 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.

The 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.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Adoption of Australian Equivalents to International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The economic entity's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. An IFRS committee has been established to oversee and manage the economic entity's transition to IFRS. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised.

The directors are of the opinion that the key differences in the economic entity's accounting policies which will arise from the adoption of IFRS are:

- Impairment of Assets

The economic entity currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of pending AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

NOTES TO THE FINANCIAL STATEMENTS

	Note	31/12/04 2004 \$	31/12/03 2003 \$
2. EARNINGS PER SHARE			
Net profit and earnings used in the calculation of dilutive EPS		<u>(202,143)</u>	<u>(81,662)</u>
Weighted average number of ordinary shares		19,116,858	16,000,010
Weighted average number of options outstanding		15,366,717	14,900,005
3. CONTRIBUTED EQUITY			
22,700,010 Ordinary Shares fully paid. (31 Dec 03: 16,000,010)		<u>2,669,752</u>	<u>1,700,002</u>
At the beginning of the reporting period		1,700,002	1,700,002
Shares issued for goodwill purchased		307,500	-
Other		<u>662,250</u>	<u>-</u>
At reporting date		<u>2,669,752</u>	<u>1,700,002</u>
		No.	No.
At the beginning of the reporting period		16,000,010	16,000,010
Purchased businesses and goodwill		1,500,000	-
Other		<u>6,000,000</u>	<u>-</u>
At reporting date		<u>23,500,010</u>	<u>16,000,010</u>

Share Options Issued:

975,000 options were issued during the 6 months to 31 December 2004. These options are exercisable at \$0.20 per share and exercisable up to December 31, 2005.

NOTES THE FINANCIAL STATEMENTS

4. EVENTS SUBSEQUENT TO REPORTING DATE

The following matters have occurred since the end of the reporting period which should significantly affect the operations of the company, the results of those operations and the state of affairs of the company in financial years subsequent to the half year ended 31 December 2004.

- 1) An intended placement and exercise of options on 31st December, 2004 in the sum of \$210,000 did not proceed as the receipt of funds was dishonoured and no shares were issued.
- 2) On the 18th February 2005, the company made a placement of 2.5 million shares at 19.5c and 1.25 million options at 1c, pursuant to shareholder authority. From the proceeds, the company settled the previously disclosed legal fee dispute, with a total payment of \$200,000.
- 3) On the 18th February 2005, the company cancelled the Deed of Assignment of Patents Agreement dated 23 August 2004. Subsequently a new agreement (the completion of which is contingent upon the proposed capital raising and ASX listing) was entered into for the purchase of the intellectual property for the sum of \$2.2 million plus GST and the issue of 10 million ordinary shares, credited as fully paid at 20c each. In addition a royalty payment equivalent to 5% of the first \$100 million of gross sales and 2.5% of gross sales exceeding \$100 million.
- 4) On the 18th February, 2005 the intended purchase of assets pursuant to the "Sale of Assets Deed" of 14th September, 2004 was cancelled. On 12 March 2005 a new agreement on better terms was entered into with Ensi-Med International and Ensi-Med Manufacturing, to acquire those assets.