

COSMEDICS AUSTRALIA LIMITED

ABN 38 002 862 017

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RYDE NSW 2112**

Telephone: 9808 2444

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18th March, 2003

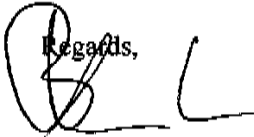
Mr. Scott Evans,
Newcastle Stock Exchange

Facsimile: 49291556

Dear Scott,

Herewith half yearly report for Cosmedics Australia Limited. We do apologise for the delay in lodging this report. For your convenience we have emailed the document, but without signatures.

Regards,



Bronte Douglass

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DIRECTOR'S REPORT

Your Directors submit the financial report of the economic entity for the half-year ended 31 December 2003.

Directors

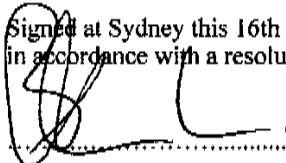
The following persons held office as Directors of Cosmedics Australia Limited during the year and at the date of this report.

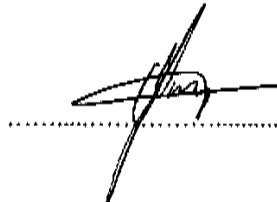
M. Boland (Resigned 18th December, 2003) K. Swe (Accepted 18th December, 2003)
B. Douglass
V. Forge
R. Mitchell

Review of Operations

Two new locations for the company's cosmetic procedures have been proposed by the Australian Medical Co-operative. These will be in the Co-operative's premises at Parramatta and Fairfield, and are expected to commence operation shortly. New equipment is not required since the Synchron "Aurora" IPL/RF that the company currently operates, is portable and can be taken to each new location. This income growth, without the incurring of additional expenditure should allow the company to generate profits. Your directors therefore believe that for the future expansion of the company, cosmetic procedures show more promise than General Practice and the company will concentrate its efforts in this direction. The future profitability of the General Practice at the Entrance depends upon our ability to recruit doctors to work in that centre, but this recruitment continues to be a problem, and as such the centre has been responsible for losses incurred in the company in the first half.

Signed at Sydney this 16th day of March, 2004
in accordance with a resolution of the directors.

 (Director)

 (Director)

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 2003.

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 consolidated 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 Methodology

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 consolidated 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

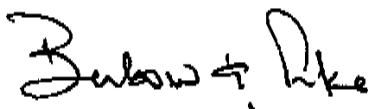
We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. In addition to our review of the financial report, we were engaged to undertake other non-audit services. The provision of these services has not impaired our independence.

COSMEDICS AUSTRALIA LIMITED
(Formerly Compound Securities and Management Limited)
A.B.N. 38 002 862 017
(Incorporated in New South Wales)
Financial Statements for the Half Year Ended 31 December 2003

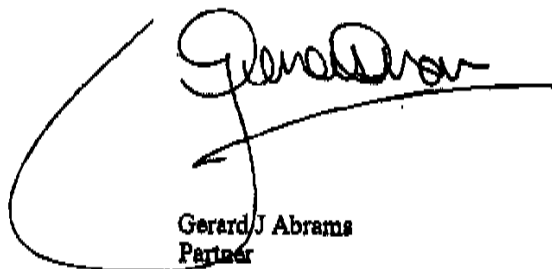
Statement

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 2003 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
Sydney



Gerard J Abrams
Partner

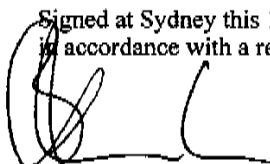
16 March 2004

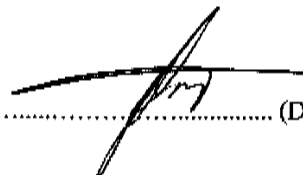
DIRECTORS DECLARATION

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 10:
- (i) Give a true and fair view of the financial position as at 31 December 2003 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 at Sydney this 16th day of March, 2004
in accordance with a resolution of the directors.


..... (Director)


..... (Director)

STATEMENT OF FINANCIAL PERFORMANCE
For the half year ended 31 December 2003

	Note	31.12.03 2003 \$
Revenues from ordinary activities		<u>239,695</u>
Depreciation		3,683
Amortisation of Goodwill		26,203
Other expenses from ordinary activities		<u>291,471</u>
Total Expenses		<u>321,357</u>
Profit (loss) from ordinary activities before income tax expense		(81,662)
Income tax relating to ordinary activities		<u>-</u>
Profit (loss) from ordinary activities after income tax expense		<u>(81,662)</u>
Total revenues, expenses and valuation adjustments attributable to members and recognised directly in equity		<u>(81,662)</u>
Basic earnings per share (cents)	3	(0.51)
Diluted earnings per share (cents)		(0.51)

COSMEDICS AUSTRALIA LIMITED
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Financial Statements for the Half Year Ended 31 December 2003

STATEMENT OF FINANCIAL POSITION
As at 31 December 2003

	Note	31.12.03 2003 \$
CURRENT ASSETS		
Cash Assets		3,168
Inventories		7,000
GST Receivable		21,872
Trade Debtors		27,420
TOTAL CURRENT ASSETS		59,460
NON-CURRENT ASSETS		
Other Financial Assets		4,149
Other Amounts Receivable		30,313
Property, Plant and Equipment		169,934
Intangibles		1,067,560
TOTAL NON-CURRENT ASSETS		1,271,956
TOTAL ASSETS		1,331,416
CURRENT LIABILITIES		
Trade Creditors		69,975
Other Creditors		434
Payroll Liabilities		16,381
Lease Liability		31,891
TOTAL CURRENT LIABILITIES		118,681
NON CURRENT LIABILITIES		
Other Amounts Payable		35,932
Lease Liability		89,389
TOTAL NON-CURRENT LIABILITIES		125,321
TOTAL LIABILITIES		244,002
NET ASSETS		1,087,414

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Financial Statements for the Half Year Ended 31 December 2003

STATEMENT OF FINANCIAL POSITION
As at 31 December 2003

SHAREHOLDERS' EQUITY

Contributed Equity	1,700,002
Retained Profits/(Losses)	(530,926)
Current Year Earnings/(Losses)	<u>(81,662)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>1,087,414</u>

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Financial Statements for the Half Year Ended 31 December 2003

STATEMENT OF CASH FLOWS
For the half year ended 31 December 2003

	Note	31.12.03 2003 \$
Cash Flow from Operating Activities		
Receipts		202,472
Payments to Suppliers and Employees		(230,659)
Interest Received		67
Net Cash used in Operating Activities	6	(28,120)
Cash Flow from Investing Activities		
Purchase of property, plant and equipment		(129,367)
Loans advanced to other entities		2,162
Proceeds from Sale of Investments		30,160
Net Cash used in Investing Activities		(97,045)
Cash Flow from Financing Activities		
Net proceeds from lease liability		121,278
Net Cash provided by Investing Activities		121,278
Net Increase (Decrease) in Cash Held		(3,887)
Cash at 30th June 2002		11,770
Cash at 31st December 2003		3,168

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basic Accounting Principles

The half yearly financial statements are a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers the economic entity of Cosmedics Australia Limited, a listed public company incorporated and domiciled in Australia. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2003 and any public announcements made by Cosmedics Australia Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the economic entity and are consistent with those applied in the 30 June 2003 annual report.

As the company was unlisted as at 31 December 2002, preparation of half yearly accounts were not required, and as such no comparative half yearly accounts are available for the relevant period.

The half-yearly report does not include full disclosures of the type normally included in an annual financial report.

2. OPERATING PROFIT

	Note	31.12.03 2003 \$
a. REVENUE		
Interest Received		67
Medical Fees Received		229,891
Profit on Sale of Investments		9,737
TOTAL REVENUE		<u>239,695</u>
b. EXPENSES		
Ordinary Activities		
Depreciation		3,683
Amortisation of Goodwill		26,203
Rent		41,425
Wages & Salaries		54,800
Superannuation		6,272
Legal Fees		8,865
Equipment Hire		11,859
Doctors Consultations		113,824
Management Fees		14,394
Consultants		8,423
Other Administration Costs		31,609
TOTAL EXPENSES		<u>321,357</u>

NOTES TO THE FINANCIAL STATEMENTS

	Note	31.12.03 2003 \$
3. EARNINGS PER SHARE		
Net profit and earnings used in the calculation of dilutive EPS		(81,662)
Weighted average number of ordinary shares		16,000,010
Weighted average number of options outstanding		14,900,005
4. CONTINGENT LIABILITIES		
There has been no change in contingent liabilities since the last annual reporting date.		
5. SEGMENT REPORTING		
The company previously operated as an investment company holding shares in listed companies. Since 1 June 2003, the company commenced to operate in the health industry.		
6. CASH FLOW INFORMATION		
(a) Reconciliation of Cash		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash on hand		3,168
(b) Reconciliation of Cash Flow from Operations with Profit from ordinary activities after income tax		
Profit from ordinary activities after income tax		(81,662)
Non-cash flows in profit from ordinary activities		
Depreciation and Amortisation		29,886
(Profit)/loss on disposal of investments		(9,737)
(Profit)/loss on disposal of plant and equipment		-
		20,149
Changes in assets and liabilities		
(Increase)/decrease in receivables		(27,420)
(Increase)/decrease in deposits		(4,149)
(Increase)/decrease in other receivables		(21,872)
Increase/(decrease) in payables		69,975
Increase/(decrease) in payroll liabilities		16,859
		33,393
Cash flows from operations		(28,120)