

**MEDEC LIMITED**

*ABN 85 100 531 191*

and

**Controlled Entities**

**PRELIMINARY FINAL  
FINANCIAL REPORT**

**FOR THE YEAR ENDING**

**30 JUNE 2007**

**MEDEC LIMITED**  
and Controlled Entities

**APPENDIX 4E PRELIMINARY FINAL REPORT**

**YEAR ENDED 30 JUNE 2007**

**Results for announcement to the market**

Revenues from ordinary activities	up	142%	to	<b>\$19,769,530</b>
Loss from ordinary activities after tax attributable to members	up	92%	to	<b>\$ 2,068,294</b>
Net loss for the year attributable to members	up	115%	to	<b>\$ 2,344,752</b>

**Dividends**

No dividends have been paid or declared since the beginning of the current reporting period and no dividend is proposed.

**MEDEC LIMITED**  
and Controlled Entities

**PRELIMINARY CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2007**

	2007 \$	2006 \$
Revenue	19,769,530	8,144,435
Changes in inventories of finished goods and work in progress	488,454	425,079
Raw materials and consumables used	(6,160,141)	(4,094,897)
Employee benefits expense	(7,970,063)	(2,064,054)
Depreciation and amortisation expense	(715,067)	(166,754)
Finance costs	(189,521)	(51,231)
Impairment of non-current assets	(710,331)	(485,536)
Employee share options	-	(339,005)
Other expenses	(6,167,491)	(2,927,181)
Profit / (loss) before income tax	(1,654,630)	(1,559,144)
Income tax expense	(413,664)	483,781
Profit / (loss) for the period	(2,068,294)	(1,075,363)
Profit / (loss) attributable to minority equity interest	(276,458)	16,538
Profit / (loss) attributable to members of the parent entity	(2,344,752)	(1,091,901)

The above preliminary consolidated income statement should be read in conjunction with the accompanying notes.

**MEDEC LIMITED**  
and Controlled Entities

**PRELIMINARY CONSOLIDATED BALANCE SHEET**  
**AS AT 30 JUNE 2007**

	2007	2006
	\$	\$
<b>CURRENT ASSETS</b>		
Cash assets	2,168,352	5,691,284
Receivables	3,200,610	1,385,108
Inventories	2,723,259	2,234,804
<b>TOTAL CURRENT ASSETS</b>	8,092,221	9,311,196
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	2,412,911	387,812
Deferred tax assets	-	554,477
Intangible assets	8,411,744	280,961
<b>TOTAL NON-CURRENT ASSETS</b>	10,824,655	1,223,250
<b>TOTAL ASSETS</b>	18,916,875	10,534,446
<b>CURRENT LIABILITIES</b>		
Payables	5,028,434	1,574,654
Financial liabilities	126,488	1,954
Current tax liabilities	291,033	11,548
Short term provisions	230,489	-
<b>TOTAL CURRENT LIABILITIES</b>	5,676,444	1,588,156
<b>NON CURRENT LIABILITIES</b>		
Trade and other payables	3,880,344	171,880
Deferred tax liabilities	130,228	82,956
Long-term provisions	190,308	57,773
<b>TOTAL NON CURRENT LIABILITIES</b>	4,200,880	312,609
<b>TOTAL LIABILITIES</b>	9,877,324	1,900,765
<b>NET ASSETS</b>	9,039,552	8,633,681
<b>EQUITY</b>		
Issued capital	17,079,059	14,382,568
Reserves	186,860	408,826
Retained profits (losses)	(8,502,465)	(6,157,713)
Parent entity interest	8,763,455	8,633,681
Minority equity interest	276,097	-
<b>TOTAL EQUITY</b>	9,039,552	8,633,681

The above preliminary consolidated balance sheet should be read in conjunction with the accompanying notes.

**MEDEC LIMITED**  
and Controlled Entities

**PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

	2007	2006
	\$	\$
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	22,230,715	8,480,152
Payments to suppliers and employees	(22,922,419)	(9,354,966)
Interest received	93,890	149,847
Interest paid	(2,085)	(37,684)
Income tax paid	(437,078)	(1,705)
	<hr/>	<hr/>
Net cash from (used in) operating activities	(1,036,977)	(764,356)
<b>Cash flows from Investing Activities</b>		
Payments for property, plant and equipment	(1,780,543)	(106,332)
Payment for acquisition of research & development	(92,334)	(280,961)
Payments for controlled entities, net of cash acquired	(827,722)	(268,439)
Proceeds/(payments ) on disposal of entity, net of cash	-	-
	<hr/>	<hr/>
Net cash flows (used in) investing activities	(2,700,599)	(655,732)
<b>Cash flows from Financing Activities</b>		
Repayment of borrowings	(66,103)	(28,000)
Proceeds from borrowings	712,296	-
Proceeds from share issues	95,528	6,433,250
Share Issue expenses	-	(428,991)
Dividends paid	(315,329)	
	<hr/>	<hr/>
Net cash flows from financing activities	426,392	5,976,259
Net decrease in cash held	(3,311,183)	4,556,171
Effect of foreign exchange rates	(211,749)	69,035
Cash at beginning of financial period	<hr/>	<hr/>
Cash at end of financial period	5,691,284	1,066,078
	<hr/>	<hr/>
	2,168,352	5,691,284

The above preliminary consolidated statement of cash flows should be read in conjunction with the accompanying notes.

**MEDEC LIMITED**  
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**Notes to and forming part of the Preliminary Final Report**

**NOTE 1: BASIS OF PREPARATION**

The consolidated financial report does not include full disclosures of the type normally included in an 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 consolidated entity as the full financial report.

The financial report should be read in conjunction with the annual financial report for the year ended 30 June 2006.

It is also recommended that this financial report be considered in conjunction with any public announcements made by Medec Limited and its controlled entities during the year ended 30 June 2007 in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

**(a) Basis of accounting**

The 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 and other mandatory professional reporting requirements.

The financial report has been prepared on a historical cost basis.

**(b) Statement of compliance**

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

**(c) Principles of Consolidation**

The consolidated financial statements comprise the financial statements of Medec Ltd and its controlled entities ('the Group').

The financial statements of controlled entities are prepared for the same reporting period as the parent company using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Unrealised losses are eliminated unless costs cannot be recovered.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

**(p) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**MEDEC LIMITED**  
and Controlled Entities

**Notes to and forming part of the Preliminary Final Report**

**Note2: STATEMENT OF OPERATIONS BY SEGMENT (ECONOMIC ENTITY)**

	Australia	Europe	Asia	Eliminations	Economic Entity
	2007	2007	2007	2007	2007
	\$	\$	\$	\$	\$
External sales	7,226,447	2,715,972	9,078,388		19,020,807
Other revenue	289,158	42,371	417,194		748,723
Inter segment revenue	792,596	575,721		(1,368,317)	-
<b>Total segment revenue</b>	<b>8,308,201</b>	<b>3,334,064</b>	<b>9,495,582</b>	<b>(1,368,317)</b>	<b>19,769,530</b>
Unallocated revenue					-
<b>Total revenue from ordinary activities</b>					<b>19,769,530</b>
<b>RESULT</b>					
Segment result	(2,653,867)	(882,020)	1,881,258	-	(1,654,630)
Unallocated expenses net of unallocated revenue					-
Loss from ordinary activities before income tax					(1,654,630)
Income tax credit					(413,664)
Loss from ordinary activities after income tax					(2,068,294)
<b>ASSETS</b>					
Segment assets	20,775,203	2,578,085	5,385,872	(9,822,285)	18,916,875
Unallocated assets					-
<b>Total Assets</b>					<b>18,916,875</b>
<b>LIABILITIES</b>					
Segment liabilities	12,956,244	2,975,310	3,569,636	(9,623,867)	9,877,324
Unallocated liabilities					-
<b>Total Liabilities</b>					<b>9,877,324</b>
<b>OTHER</b>					
Acquisitions of non current segment assets	7,919,315	549,587	3,934,278	-	12,403,180
Depreciation of segment assets	177,019	159,907	378,142	-	715,067

**MEDEC LIMITED**  
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**Notes to and forming part of the Preliminary Final Report**

**Note 2: STATEMENT OF OPERATIONS BY SEGMENTS (CONT.)**

a. Primary reporting - Geographic Segments

	Australia	Europe	Eliminations	Economic Entity
	2006	2006	2006	2006
	\$	\$	\$	\$
External sales	5,799,745	2,004,853	-	7,804,598
Other revenue	277,513	62,324	-	339,837
Inter segment revenue	559,284	679,317	(1,238,601)	-
<b>Total segment revenue</b>	<b>6,636,542</b>	<b>2,746,494</b>	<b>(1,236,601)</b>	<b>8,144,435</b>
Unallocated revenue				-
<b>Total revenue from ordinary activities</b>				<b>8,144,435</b>
<b>RESULT</b>				
Segment result	(1,406,916)	(152,228)	-	(1,559,144)
Unallocated expenses net of unallocated revenue				-
Profit from ordinary activities before income tax				(1,559,144)
Income tax expense				483,781
<b>Profit from ordinary activities after income tax</b>				<b>(1,075,363)</b>
<b>ASSETS</b>				
Segment assets	15,451,249	2,188,545	(7,105,348)	10,534,446
Unallocated assets				-
<b>Total Assets</b>				<b>10,534,446</b>
<b>LIABILITIES</b>				
Segment liabilities	6,593,157	2,473,450	(7,165,844)	1,900,763
Unallocated liabilities				-
<b>Total Liabilities</b>				<b>1,900,763</b>
<b>OTHER</b>				
Acquisitions of non current segment assets	29,770	47,102	-	76,872
Depreciation of segment assets	70,233	69,640	-	139,873

**MEDEC LIMITED**  
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**Notes to and forming part of the Preliminary Final Report**

**Note 3. Dividends**

No dividends have been paid or declared by the entity since the beginning of the current report period and no dividend is proposed

**Note 4. Cash assets**

Cash on hand	7,300	9,158
Cash at bank	2,214,965	5,703,647
Bank overdraft	(53,921)	(21,521)
	2,168,352	5,691,284
	2,168,352	5,691,284

**Note 5. Statement of retained earnings**

Retained profits (losses) at beginning of the financial period	(6,157,713)	(5,065,812)
Net loss attributable to members	(2,344,752)	(1,091,901)
Accumulated( losses) retained profits at end of financial period	(8,502,465)	(6,157,713)
	(8,502,465)	(6,157,713)

**Note 6. Net tangible assets**

	2007	2006
	\$	\$
Net tangible asset backing per ordinary share	0.8 cents	13.1 cents

**Note 7. Earnings per share**

(a) Earnings in cents per share

Basic loss per share	(2.8) cents	(2.7) cents
Diluted loss per share	(2.8) cents	(2.6) cents

(b) Weighted average number of shares used in the calculation of earnings per share

Number for basic earnings per share	72,573,416	59,055,212
Number for diluted earnings per share	72,573,416	59,575,760

(c) Net (loss) used in calculation of basic and diluted earnings per share

Net (loss) used in calculation of basic and diluted earnings per share	\$ (2,068,294)	(\$1,075,363)
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**MEDEC LIMITED**  
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**Notes to and forming part of the Preliminary Final Report**

**Note 8. Details of entities over which control has been gained during the period**

During the financial year, Medec Limited acquired interests in the following companies:

	Country of incorporation	Percentage owned
Body Contours Pte Ltd	Singapore	51%
Body Contours Pte Ltd	Singapore	24.5%
Bodycure Oberusal GmbH	Germany	100%

During the year, the company acquired the assets of Inspired Life, a business which operates a health and fitness centre in WA.

**Note 9. Investing and financing activities**

Share issues were made during the year for cash and to settle acquisitions and/or liabilities.

**Note 10.** This preliminary final report is based on accounts which are in the process of being audited.

**Note 11.** Commentary on results for the year

The results for 2006/07 include results from operations of

- Body Contours Pte Ltd, Singapore which Medec acquired a 51% interest on 31 July 2006.
- A further 24.5% interest in Body Contours Pte Ltd was acquired with effect from 1<sup>st</sup> January 2007.
- Bodycure Deutschland GmbH which was acquired on 16 August 2006.
- Inspired Life Medec Health Centre which was acquired on 14 July 2006.

Body Contours Pte Ltd, a Singapore based health & wellness operation, performed exceptionally well in the period and further growth is expected by acquisitions and market expansion throughout Asia.

Bodycure Deutschland GmbH, a German based weight management franchise operation operated profitably during the period and improved profitably is expected to through expansion and establishment of new franchise operations throughout Europe.

The year has been an extremely difficult period for some of the manufacturing operating divisions but with a greater focus on marketing of the established Medec energy products, together with a strengthened management structure and a cost reduction programs a profitable result is expected in the 2007/08 financial year.

Medec Australia Pty Ltd, (formerly Athlegen Pty Ltd) continues to be a market leader in Australia in the health care industry by its award winning treatment tables. In January 2007, the company acquired Azima, a leading portable treatment table manufacturer in Western Australia. In addition, the company concluded an arrangement with Centurion Tables of NSW, a large producer of treatment tables, to manufacture under license their full range of award winning products.

A growth in sales and profitability is forecast through expansion of the export with major marketing emphasis in USA.

The operations of Inspired Life Medec Health Centre, a total health care centre in Bentley, were enhanced by the introduction of the Bodycure weight management system from Germany operation and the Body Contours Day Spa business model, mirrored on the successful operation in Singapore. More recently the world's first BRS lounge has been established utilizing the renowned MEDEC Bio Resonance System developed by Medec. The BRS assists in the body's metabolism, improves circulation and increases energy levels and will assist club members in complementing their training results.

The financial year 2007/2008 is expected to result in improved profitability under a revised marketing and management structure and a strong control over costs.

Lloyd a Halvorson  
Company Secretary

31 August 2007