

Appendix 4D

HALF YEAR REPORT

PERIOD ENDING 31 DECEMBER 2006

1.

Name of Entity	Medec Limited
ABN	85 100 531 191
Half Year Ended	31 December 2006
Previous Corresponding Reporting Period	31 December 2005

2. Results for Announcement to the Market

	Result \$	% Increase (Decrease)
Revenues from ordinary activities	8,907,445	119
(Loss) Profit from ordinary activities after tax attributable to members	(997,052)	405
Net (Loss)profit for the period attributable to members	(997,052)	405

Dividends (distributions)	Amount per Security	Franked amount per Security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlement to the dividends (if any)	Nil	Nil

3. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	5.1 cents	12.58 cents

4. Dividends

The economic entity has not declared an interim dividend in respect of the current period.

MEDEC LIMITED AND CONTROLLED ENTITIES

ABN 85 100 531 191

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2006

MEDEC LIMITED AND CONTROLLED ENTITIES

FINANCIAL REPORT

FOR THE HALF YEAR ENDED

DECEMBER 31, 2006

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MEDEC LIMITED AND CONTROLLED ENTITIES

Directors' Report

Summary of Results

Sales revenue amounted to \$8.9 million
Loss before amortization, depreciation and minority interests \$(188,179)

Your directors present their report on the consolidated entity of Medec Ltd and the subsidiaries controlled by it during or at the end of the half-year ended 31st December 2006.

Directors

The names of directors and company secretary of Medec Ltd who held office during or since the end of the half-year and up to date of this report:

Gordon T. Getley	Chairman
Josef A. Plattner	Executive director
Giulio D. Cimetta	Non-executive director
Lloyd A. Halvorson	Company Secretary

Review of Operations

Growth of revenue

Following several acquisitions to strength the roll out of its products in Australia, Singapore and Europe, revenue in the first half of the financial year has increased from \$4.0 million to \$8.9 million an increase of 119%. The revenue for the half year is \$1.0 million higher than forecast in September 2006.

Profitability in the first half of the 2007 Financial Year

As expected and forecast, the increase in revenue has affected profitability in the first half of the current financial year. The loss before interest and income tax (EBIT) was \$509,332 and after income tax in an overseas subsidiary and minority interests in subsidiaries a loss of \$997,052 was incurred for the half year.

Comment on operations

The integration of the new subsidiaries has however progressed well. Training of Bodycure centres are ahead of schedule and several of the centres have commenced business using and selling MEDEC equipment with the remaining Bodycure centres scheduled to commence operations in February / March 2007. A Body Contours day spa has commenced business in Perth, new Body Contours day spas in Kuala Lumpur, Malaysia and in Chennai, India will commence operations shortly. New retail outlets in Singapore and a new head office and showroom in Sydney for Medec Australia Pty Ltd will start operation in March 2007.

In the first half of this financial year, sales offices have been established in USA and Hong Kong and first orders with a value of \$ 200,000 have been received from the USA for treatment tables.

Due to accelerated integration and establishment of new subsidiaries, the group now expects an increase in revenue to \$11.0 million in the second half of the 2007 financial year with annual revenue increasing to \$19.7 million.

This interim half yearly revenue result confirms the group's growth strategy of selling via the acquired franchise outlets. The group has now reached a critical mass and can focus on improving cash flow and profitability.

Directors' Report

Now that the integration of the new subsidiaries has been completed, the directors are confident that the MEDEC group will be profitable in the second half of the 2007 financial year

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 4 for the half year ended 31 December 2006.

Director

A handwritten signature in black ink, appearing to read 'Josef A. Plattner', is written over a light yellow rectangular background. Below the signature, there are two horizontal lines: a thin black line and a thicker black line.

Josef A Plattner

Dated this 28th day of February 2007

AUDITORS' INDEPENDENCE DECLARATION
Under Section 307C of the Corporations Act 2001

To the Directors of Medec Limited

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 as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

BENTLEYS MRI PERTH PARTNERSHIP



Michael J Hillgrove
Partner

Dated this 28th day of February 2007.

MEDEC LIMITED AND CONTROLLED ENTITIES

Condensed Income Statement for the Half Year Ended 31 December 2006

	Consolidated	
	31.12.2006	31.12.2005
	\$	\$
Revenue	8,907,445	4,060,190
Changes in inventories of finished goods and work in progress	(59,556)	362,178
Raw materials and consumables used	(2,259,586)	(2,157,589)
Employee benefits expense	(3,582,418)	(944,553)
Depreciation and amortisation expense	(321,153)	(65,573)
Finance costs	(96,083)	(37,600)
Other expenses	(3,097,981)	(1,397,913)
Profit / (loss) before income tax	(509,332)	(180,860)
Income tax expense	(188,631)	-
Profit / (loss) for the period	(697,963)	(180,860)
Profit attributable to minority equity interest	(299,089)	(16,539)
Profit / (loss) attributable to members of the parent entity	(997,052)	(197,399)
Overall Operations:		
Basic earnings per share (cents per share)	(1.4)	(0.31)
Diluted earnings per share (cents per share)	(1.4)	(0.31)

The accompanying notes form part of these financial statements.

MEDEC LIMITED AND CONTROLLED ENTITIES

Condensed Balance Sheet as at 31 December 2006

	Consolidated	
	31.12.2006	30.06.2006
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	3,228,096	5,691,284
Trade and other receivables	3,196,850	1,385,108
Inventories	2,777,778	2,234,804
TOTAL CURRENT ASSETS	9,202,724	9,311,196
NON-CURRENT ASSETS		
Property, plant and equipment	1,509,744	387,812
Deferred tax assets	554,477	554,477
Intangible assets	6,206,597	280,961
TOTAL NON-CURRENT ASSETS	8,270,818	1,223,250
TOTAL ASSETS	17,473,542	10,534,446
CURRENT LIABILITIES		
Trade and other payables	(4,249,412)	(1,574,654)
Short-term borrowings	(180,811)	(1,954)
Current tax liabilities	(322,293)	(11,548)
TOTAL CURRENT LIABILITIES	(4,752,516)	(1,588,156)
NON-CURRENT LIABILITIES		
Trade and other payables	(2,548,395)	(171,880)
Long-term borrowings	(138,900)	-
Deferred tax liabilities	(102,718)	(82,956)
Long term provisions	-	(57,773)
TOTAL NON-CURRENT LIABILITIES	(2,790,013)	(312,609)
TOTAL LIABILITIES	(7,542,529)	(1,900,765)
NET ASSETS	9,931,013	8,633,681
EQUITY		
Issued capital	15,974,686	14,382,568
Reserves	334,117	408,826
Retained earnings	(7,154,765)	(6,157,713)
Parent entity interest	9,154,038	8,633,681
Minority equity interest	776,975	-
TOTAL EQUITY	9,931,013	8,633,681

The accompanying notes form part of these financial statements.

MEDEC LIMITED AND CONTROLLED ENTITIES

Condensed Statement of Changes in Equity for the Half Year Ended 31 December 2006

	\$	\$	\$	\$	\$	\$
	Share Capital	Retained Earnings	Foreign currency translation	Option Reserve	Minority Interest	Total
Note	Ordinary	Earnings	translation	Reserve	Interest	Total
Balance at 1.7.2006	14,382,568	(6,157,713)	69,821	339,005	-	8,633,681
Increase in contributed capital	1,592,118	-	-	-	-	1,592,118
Profit / (loss) attributable to members of parent entity	-	(997,052)	-	-	-	(997,052)
Profit attributable to minority shareholders	-	-	-	-	776,975	776,975
Adjustment arising on translation of the financial statements of foreign operations	-	-	(74,709)	-	-	(74,709)
Sub-total	15,974,686	(7,154,765)	(4,888)	339,005	776,975	9,931,013
Dividends paid or provided for						
Balance at 31.12.2006	15,974,686	(7,154,765)	(4,888)	339,005	776,975	9,931,013
Balance at 1.7.2005	8,465,412	(5,065,812)	43,730	-	(1,947)	3,441,383
Increase in contributed capital	3 4,255,000	-	-	-	-	4,255,000
Profit / (loss) attributable to members of parent entity	-	(197,399)	-	-	-	(197,399)
Profit attributable to minority shareholders	-	-	-	-	16,539	16,539
Adjustment arising on translation of the financial statements of foreign operations	-	-	(45,115)	-	-	(45,115)
Sub-total	12,720,412	(5,263,211)	(1,385)	-	14,592	7,470,408
Dividends paid or provided for						
Balance at 31.12.2005	12,720,412	(5,263,211)	(1,385)	-	14,592	7,470,408

The accompanying notes form part of these financial statements.

MEDEC LIMITED AND CONTROLLED ENTITIES

Condensed Cash Flow Statement for the Half Year Ended 31 December 2006

	Consolidated	
	31.12.2006	31.12.2005
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	9,767,649	4,272,905
Payments to suppliers and employees	(10,940,895)	(4,773,382)
Interest received	68,779	68,063
Finance costs	(1,248)	(37,600)
Income tax paid	(140,836)	(1,705)
Other	(20,000)	-
Net cash provided by (used in) operating activities	(1,266,551)	(471,719)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of non-current assets	-	-
Purchase of non-current assets	(533,097)	(54,397)
Acquisition of businesses	(580,398)	-
Investments in subsidiaries	(1,207,503)	-
Acquisition of intellectual property	(92,334)	-
Repayment of loans	231,322	-
Other	(82,380)	-
Bank accounts on acquisition of subsidiary	1,129,357	-
Net cash provided by (used in) investing activities	(1,135,033)	(54,397)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	40,000	4,225,685
Proceeds from borrowings	155,000	-
Repayment of borrowings	(7,000)	(16,000)
Dividends	(123,727)	-
Net cash provided by (used in) financing activities	64,273	4,209,685
Net increase in cash held	(2,337,311)	3,683,569
Effect of foreign exchange rates	(125,877)	(3,918)
Cash at 1 July 2006	5,691,284	1,066,078
Cash at 31 December 2006	3,228,096	4,745,729

The accompanying notes form part of these financial statements.

MEDEC LIMITED AND CONTROLLED ENTITIES

Condensed notes to the consolidated Interim Financial Report for the Half Year ended 31 December 2006

NOTE 1: Reporting entity

Medec Limited ("the Company") is a company domiciled in Australia.

The consolidated interim financial report as at and for the six months ended 31 December 2006 comprises the Company and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interest in associates and jointly controlled entities.

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2006 is available upon request from the registered office of the Company at 22 Letchworth Centre Avenue Salter Point, Western Australia 6152 or at www.medec.com.au

NOTE 2: Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial reporting and the *Corporations Act 2001*.

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2006.

This consolidated interim financial report was approved by the Board of Directors on 28 February 2007.

NOTE 3: Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated annual financial report as at and for the year ended 30 June 2006.

NOTE 4: ISSUED CAPITAL

	2006	2005
Ordinary shares	\$	\$
Issued and fully paid	15,974,686	12,720,412
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Movements in ordinary shares on issue	Number	\$
At 1 July 2006	66,754,007	14,382,568
Issued on exercise of options	200,000	40,000
Issued in part consideration on the acquisition of subsidiaries	5,173,726	1,552,118
	<hr/>	
At 31 December 2006	72,127,733	15,974,686

MEDEC LIMITED AND CONTROLLED ENTITIES

Notes to the Financial Statements for the Half Year Ended 31 December 2006

NOTE 5: SEGMENT INFORMATION

Primary reporting - Geographic Segments

2006	Australia	Europe	Asia	Eliminations	Economic Entity
	2006 \$	2006 \$	2006 \$	2006 \$	2006 \$
External sales	3,487,361	1,234,710	4,059,008		8,781,079
Other revenue	73,436	22,523	30,407		126,366
Inter segment revenue	396,464	216,336		(612,800)	-
Total segment revenue	3,957,261	1,473,569	4,089,415	(612,800)	8,907,445
Unallocated revenue					
Total revenue from ordinary activities					8,907,445
Segment result	(981,148)	(266,965)	738,781		(509,332)
Loss from ordinary activities before income tax					(509,332)
Income tax					(188,631)
Loss from ordinary activities after income tax					(697,963)
2005	Australia	Europe	Asia	Eliminations	Economic Entity
	2005 \$	2005 \$	2005 \$	2005 \$	2005 \$
External sales	2,749,358	1,133,776	-		3,883,134
Other revenue	98,323	78,733	-		177,056
Inter segment revenue	236,848	387,584	-	(624,432)	-
Total segment revenue	3,084,529	1,600,093	-	(624,432)	4,060,190
Unallocated revenue					-
Total revenue from ordinary activities					4,060,190
Segment result	(303,918)	193,081	-	(70,023)	(180,860)
Loss from ordinary activities before income tax					(180,860)
Income tax					-
Loss from ordinary activities after income tax					(180,860)

MEDEC LIMITED AND CONTROLLED ENTITIES

Notes to the Financial Statements for the Half Year Ended 31 December 2006

NOTE 6: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 7: ACQUISITIONS

- In July 2006, the Company acquired the assets of Inspired Life, a business which operates a health and fitness centre in Bentley Western Australia. The consideration for the acquisition was \$224,000 cash and the assumption of the leased equipment which has been purchased for a price of \$157,455 cash. Goodwill and value of member data base amounted to \$657,083.
- In July 2006, the Company acquired 51% of the issued capital of Body Contours Pte Ltd, Singapore, a company which has operated for ten years in the weight management and complementary health and wellness therapies industry. The purchase consideration of \$5,062,872 for 51% of the issued shares in the company was satisfied by the issue of 4,921,906 ordinary shares at an issue price of \$0.30 each and the payment of \$1,054,864 for 50% of the consideration. The balance of the purchase price of \$2,531,436 is due in 2009 following completion of the audited financial statements for the financial year to 30th June 2009 and can be made at the election of Medec in a combination of cash or in fully paid Medec shares at a value of \$0.30 per share. Goodwill and value of client data base amounted to \$4,579,966.

The payment of the balance of the purchase price is linked to performance criteria. In the case that the performance criteria are not met, then the purchase price will be reduced.

The acquisition has been shown in the consolidated balance sheet based on a preliminary assessment of the fair value of cash and shares issued in consideration for the acquisition. In accordance with Accounting Standard AASB 3 Business Combinations, the Company is required to measure the fair value of the consideration paid and allocate this cost to the fair value of assets acquired, liabilities and contingent liabilities assumed. This process will be completed for the year ended 30 June 2007, being within 12 months of acquisition as set out in AASB 3. The outcome of this process, whilst potentially impacting future consolidated earnings, is unlikely to impact future cash flows.

- In August 2006 the Company acquired 100% equity interest of the Bodycure Oberursel Therapy Centre for a consideration of Euro 180,000, (A\$300,000), payable as to cash of Euro135,000, (and 251,820 shares at a value of 30 cents. Goodwill and value of member data base amounted to \$180,755.

MEDEC LIMITED AND CONTROLLED ENTITIES

- In August 2006 the Company acquired the intellectual property, including trade marks, of the German franchise group, Bodycure GmbH for a consideration of Euro208,836, (A\$348,000) payable as to cash of Euro 78,836 and the balance of Euro 130,000 in cash or shares on a date to be agreed with the vendor.
- In December 2006, the Company signed an agreement with Centurion Tables Pty Ltd of Sydney, Australia who manufacture and sell health care equipment.

The agreement provides for:

- (a) the purchase of inventory for a valuation of \$118,700 payable in three equal monthly instalments commencing on 1st February 2007
- (b) the acquisition of intellectual property for a consideration of \$150,000 payable in cash or shares on 1st January 2010.
- (c) payment of a royalty to a maximum of \$50,000 per year over an initial three year period commencing on 1st January 2007,
- (d) after the initial three year period, the Company has the option to complete the purchase of the business undertakings of Centurion for a consideration of a maximum royalty payment of \$50,000 per year for a further three year period ending on 31st December 2012.

NOTE 8: EVENTS AFTER THE BALANCE SHEET DATE

In January 2007, the Company acquired the assets of AZIMA, a business which manufactures health care equipment in Western Australia. The consideration for the acquisition was \$270,000 payable as to \$110,000 in cash and the balance over two years subject to performance criteria.

MEDEC LIMITED AND CONTROLLED ENTITIES

Directors' Declaration

In accordance with a resolution of the directors of Medec Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity:

(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.

On behalf of the Board

Director

A handwritten signature in black ink, appearing to read 'Josef A. Plattner', is written over a light yellow rectangular background. The signature is cursive and fluid.

Josef A Plattner

Dated this 28th day of February 2007

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MEDEC LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Medec Limited, which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a description of accounting policies, other selected explanatory notes and the directors' declaration for Medec Limited (the consolidated entity). The consolidated entity comprises both Medec Limited (the company) and the entities it controlled during that half-year.

Directors' Responsibility for the Half-year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting an applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Medec Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

CONCLUSION

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Medec Limited is not in accordance with the *Corporations Act 2001* including:

- a) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance and its cashflows for the half-year ended on that date; and
- b) Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

BENTLEYS MRI PERTH PARTNERSHIP



Michael J Hillgrove
Partner

Dated this 28th day of February 2007.