

**APPENDIX 4D - INTERIM FINANCIAL REPORT**  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

**Summary of Financial Information**

				31.12.2007		31.12.2008
				\$'000		\$'000
Revenue from ordinary activities	Up	26%	from	18,829	to	23,727
Loss after tax attributable to members	Up	183%	from	-447	to	-1,263
Net loss attributable to members	Up	183%	from	-447	to	-1,263

In the first half of fiscal 2009 the Company's net loss increased from \$447,00 to \$1,263,000 primarily due to start up costs of the new sleep centre in Seattle, Washington, and the rolling deferment during the period of clinical research trial studies - which by their very nature are volatile in quantum and timing and have now been concentrated within the second half of fiscal 2009. In the second half of fiscal 2009 the Company expects all sleep centres including Seattle to show improved results primarily due to cost reductions and incremental revenue generation. Traditionally the second half achieves stronger operational performance than the first half related to the Company's clinical studies and medical equipment sales. Also, the revenue from clinical research trial studies is expected to increase as new studies are added in April, 2009. The Board confirms the full year 2009 net profit after tax to be in the range of \$1 million to \$1.5 million advised to the market on the 31st October 2008.

**Dividends/Distributions**

No dividend has been declared or is payable

**NTA Backing**

	Six months ended 31 December 2007 (cents)	Six months ended 31 December 2008 (cents)
Net tangible asset backing per ordinary security (cents)	\$0.19	\$0.18

**Accounting standards used for foreign entities in compiling the report**

Australian equivalents to International Financial Reporting Standards

**Audit/Review Status**

The report is based on accounts to which one of the following applies:

The accounts have been audited  
The accounts are in the process of being audited or subject to review  
The accounts have been subject to review  
The accounts have not been audited or reviewed

X

**Attachments forming part of Appendix 4D**

Attachment #	Description
1	Half year report



Geoff Garside  
Executive Chairman

Brisbane, 27 February 2009



**AVASTRA SLEEP CENTRES LIMITED ABN 47 094 446 803 and CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

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**AVASTRA SLEEP CENTRES LIMITED ABN 47 094 446 803 and CONTROLLED ENTITIES**  
**DIRECTORS' REPORT**

The directors of Avastra Sleep Centres Limited present their report on the company and its controlled entities at the end of, and during, the half-year ended 31 December 2008.

**Directors**

The names of directors who held office during or since the end of the half year and until the date of this report are as below.

Mr Geoff Garside (Executive Chairman)	(appointed Non-Executive Chairman 8 August 2008, appointed Executive Chairman 22 November 2008)
Dr Steven Hull (Executive Director)	(resigned 8 August 2008)
Dr Milton Erman (Executive Director)	(appointed 8 August 2008)
Dr George Steinfelds (Non-executive Director)	(resigned 1 August 2008)
Mr Hugh Docker (Non-executive Director)	(resigned 1 August 2008)
Mr Bruce Hatchman (Non-executive Director)	(appointed 30 July 2008)

Directors were in office for the entire period unless stated otherwise.

**Principal Activity**

Since August 2006 the principal activity of the entities in the consolidated group has been the operation of sleep diagnostic clinics in the United States of America.

**Operating Results**

The net loss for the year after providing for income tax was \$1,263,000 (2007: \$447,000 loss). Included in the losses for the half-years 2008 and 2007 were non-cash share-based payments of \$180,000 and \$1,149,000, respectively, and an impairment charge of \$340,000 in 2008 to write off an equity investment. The negative operating results in the first half of fiscal 2009 was primarily due to the start up costs of the new sleep centre in Seattle, Washington and the significant decline in clinical research studies in the first half of the fiscal year.

**Dividend Paid or Recommended**

No dividend has been recommended out of the profits of the parent entity for the half-year ended 31 December 2008 nor has a dividend been paid or declared since the end of the previous financial year.

**Review of Operations**

Operating activities generated positive cash flow of \$434,000 in the half year ended 31 December 2008 compared with positive cash flow of \$1,656,000 in the half year ended 31 December 2007. The decline in cash flow from operating activities in the half year ended 31 December 2008 primarily was due to the start up costs of the new sleep centre in Seattle, Washington and the significant decline in clinical research studies in the first half of the fiscal year.

**Financial Position**

At 31 December 2008 the group retains a cash balance of \$965,000 and has a further \$8,130,000 in receivables. In half year ended 31 December 2008 \$3,287,000 has been invested in the acquisition of sleep centre businesses and \$273,000 in property, plant and equipment.

At balance date \$21,997,000 has been recorded as the fair value for deferred consideration payable to the vendors of acquired sleep centre businesses based on the acquired companies achieving expected earnings targets. On 2 February 2009 the Company announced that it had reached an in principle agreement with a number of the former owners of the sleep diagnostic centres purchased by the Company with a view to agreeing a basis upon which certain future earn out entitlements of the Creditors will be converted to equity in the Company.

**Significant Changes in State of Affairs**

There has been no significant change in the state of affairs of the group.

**After Balance Date Events**

On 2 February 2009 the Company announced that it had reached an in principle agreement with a number of the former owners of the sleep diagnostic centres purchased by the Company with a view to agreeing a basis upon which certain future earn out entitlements of the Creditors will be converted to equity in the Company.

No other matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect:

- (i) the operations of the consolidated group;
- (ii) the results of those operations; or
- (iii) the state of affairs of the consolidated group.

**AVASTRA SLEEP CENTRES LIMITED ABN 47 094 446 803 and CONTROLLED ENTITIES**  
**DIRECTORS' REPORT**

**Future Developments, Prospects and Business Strategies**

To improve shareholder value the group intends to make further improvements in the management of acquired businesses by implementing aggressive cost savings and driving additional revenue from both the existing business hubs and by obtaining additional research contracts. Selective acquisitive growth will follow after the successful integration of existing businesses and demonstrated organic growth. Improvement of the Balance Sheet is the essential precondition for further growth.

**Environmental Issues**

The company's operations are subject to various environmental regulations. The directors are not aware of any breaches of the legislation during the financial year.

**Auditor's Independence Declaration**

The Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 is set out on page 3 and forms part of the Directors' Report for the half year ended 31 December 2008.

**Rounding of Amounts**

The company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Board of Directors.



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Geoff Garside  
Executive Chairman

Brisbane, 27 February 2009

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

**TO THE DIRECTORS OF AVASTRA SLEEP CENTRES LIMITED**

As lead engagement principal for the review of the financial report for Avastra Sleep Centres Limited for the half-year ended 31 December 2008, I declare that, to the best of my knowledge and belief there has been:

- (i) no contraventions of the auditor independence requirements of 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.



**WHK HORWATH**  
**ABN 79 981 227 862**



**D W LANGDON**  
**PRINCIPAL**

Brisbane, 27 February 2009

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**Member Horwath International**

WHK Pty Ltd ABN 84 006 466 351  
Level 16 WHK Horwath Centre 120 Edward Street  
Brisbane Queensland 4000 Australia  
GPO Box 736 Brisbane Queensland 4001 Australia  
Telephone +61 7 3233 3555 Facsimile +61 7 3210 6183  
Email [info.bri@whkhorwath.com.au](mailto:info.bri@whkhorwath.com.au) [www.whkhorwath.com.au](http://www.whkhorwath.com.au)  
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**AVASTRA SLEEP CENTRES LIMITED ABN 47 094 446 803 and CONTROLLED ENTITIES**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	NOTE	Consolidated Group	
		31 Dec 2008 \$'000	31 Dec 2007 \$'000
Sales revenue		23,727	18,829
Interest received		2	76
Other revenue		14	64
Cost of sales		(10,133)	(7,179)
Employee benefits and expenses		(7,602)	(6,456)
Occupancy expense		(1,841)	(1,218)
Administration expenses		(1,677)	(1,591)
Other operating expenses		(3,152)	(1,606)
Finance costs		(878)	(661)
Depreciation and amortisation		(731)	(465)
Exchange losses - realised		-	(43)
Exchange losses - unrealised		-	-
<b>LOSS BEFORE INCOME TAX</b>		<b>(2,271)</b>	<b>(250)</b>
Income tax benefit (expense)		1,008	(197)
<b>LOSS FOR THE PERIOD AFTER TAX</b>		<b>(1,263)</b>	<b>(447)</b>
Basic earnings per share		(1.2)	(0.7)
Diluted earnings per share		(1.1)	(0.6)

*Notes to and forming part of the financial statements are attached.*

**AVASTRA SLEEP CENTRES LIMITED ABN 47 094 446 803 and CONTROLLED ENTITIES**  
**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2008**

	Note	Consolidated Group	
		31 Dec 2008	30 June 2008
		\$'000	\$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		965	1,181
Trade and other receivables		8,130	6,781
Refundable income taxes		551	144
Inventories		691	628
Other current assets		422	365
Deferred tax assets		1,566	1,002
<b>TOTAL CURRENT ASSETS</b>		<b>12,325</b>	<b>10,101</b>
<b>NON-CURRENT ASSETS</b>			
Investments		26	287
Property, plant and equipment		7,509	5,593
Intangible assets		46,627	34,304
Deferred tax assets		2,695	2,257
Other non-current assets		641	534
<b>TOTAL NON-CURRENT ASSETS</b>		<b>57,498</b>	<b>42,975</b>
<b>TOTAL ASSETS</b>		<b>69,823</b>	<b>53,076</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		3,713	2,971
Short term financial liabilities		7,505	3,607
Short term provisions		607	513
Other current liabilities		9,217	6,171
Deferred tax liabilities		734	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>21,776</b>	<b>13,262</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term financial liabilities		5,253	2,388
Deferred tax liabilities		3,726	1,723
Other non-current liabilities		11,130	12,244
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>20,109</b>	<b>16,355</b>
<b>TOTAL LIABILITIES</b>		<b>41,885</b>	<b>29,617</b>
<b>NET ASSETS</b>		<b>27,938</b>	<b>23,459</b>
<b>EQUITY</b>			
Issued capital		38,126	38,047
Reserves		4,594	(1,069)
Retained earnings		(14,782)	(13,519)
<b>TOTAL EQUITY</b>		<b>27,938</b>	<b>23,459</b>

*Notes to and forming part of the financial statements are attached.*



**AVASTRA SLEEP CENTRES LIMITED ABN 47 094 446 803 and CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

<b>CONSOLIDATED ENTITY</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Retained earnings \$'000</b>	<b>Total \$'000</b>
<b>Balance at 1 July 2007</b>	30,031	(654)	(9,394)	19,983
New issues	7,698	-	-	7,698
Costs of issue	(693)	-	-	(693)
Transfer to reserves	-	493	-	493
Profit/(loss) for the period	-	-	(447)	(447)
<b>Balance at 31 December 2007</b>	<b>37,036</b>	<b>(161)</b>	<b>(9,841)</b>	<b>27,034</b>
<b>Balance at 1 July 2008</b>	38,047	(1,069)	(13,519)	23,459
New issues	204	-	-	204
Costs of issue	(125)	-	-	(125)
Transfer to reserves	-	5,663	-	5,663
Profit/(loss) for the period	-	-	(1,263)	(1,263)
<b>Balance at 31 December 2008</b>	<b>38,126</b>	<b>4,594</b>	<b>(14,782)</b>	<b>27,938</b>

*Notes to and forming part of the financial statements are attached.*

**AVASTRA SLEEP CENTRES LIMITED ABN 47 094 446 803 and CONTROLLED ENTITIES**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	Note	Consolidated Group	
		31 Dec 2008	31 Dec 2007
		Inflows	Inflows
		(Outflows)	(Outflows)
		\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		24,837	18,913
Payments to suppliers and employees		(24,104)	(17,251)
Interest received		24	75
Interest paid		(323)	(81)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>434</b>	<b>1,656</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for acquisition of businesses (net of cash acquired)		(3,287)	(3,945)
Equity investments		-	-
Payments for property, plant and equipment		(273)	(956)
Loans advanced to controlled entities		-	-
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(3,560)</b>	<b>(4,901)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issues of shares		204	7,698
Costs of issues of shares		(44)	(693)
Repayment of borrowings		(1,118)	(3,838)
Proceeds from borrowings		3,868	63
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>2,910</b>	<b>3,230</b>
Net increase/(decrease) in cash held		(216)	(15)
Cash at the beginning of the period		1,181	8,063
<b>CASH AT THE END OF THE PERIOD</b>		<b>965</b>	<b>8,048</b>

*Notes to and forming part of the financial statements are attached.*

**AVASTRA SLEEP CENTRES LIMITED ABN 47 094 446 803 and CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

**NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The consolidated interim financial report does not include full disclosures of the type normally included in an annual financial report. It is recommended that the interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by the company during the half-year in accordance with the continuous disclosure obligations of the Corporations Act 2001.

The company is a company of a kind referred to in ASIC Class Order 98/0100 and accordingly amounts in the Directors' Report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The presentation currency of Avastra Sleep Centres Limited is Australian dollars (\$). The functional currency of the foreign operations, AvastraUSA, Inc. and its subsidiaries is United States dollars (US\$).

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

The consolidated interim financial report was authorised for issue by the directors on 29 February 2008.

	<b>Consolidated Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Note 2: Sales and Revenue</b>		
Provision of services - clinical studies	17,833	10,534
Provision of services - research studies	1,521	5,638
Sale of goods - medical	4,373	2,657
Total Sales Revenue	<u>23,727</u>	<u>18,829</u>

**Note 3: Administrative and Other Operating Expenses**

	<b>Consolidated Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
Office Expenses	649	570
Professional services	731	795
Public company costs	42	62
Insurance	255	164
Motor vehicle expenses	117	255
Outside services	760	337
Telephone and utilities	387	350
Travel expenses	415	156

**Note 4: Issued Capital**

	<b>Consolidated Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Ordinary shares</i>		
Issued and fully paid	<u>38,126</u>	<u>37,036</u>
	<b>No. of shares</b>	<b>31 Dec 2008</b>
	<b>'000</b>	<b>\$'000</b>
<i>Movements in ordinary shares on issue</i>		
Balance at beginning of period	115,473	38,047
Shares issued during the period	7,299	204
Costs of issue		(125)
Balance at the end of the period	<u>122,772</u>	<u>38,126</u>

**AVASTRA SLEEP CENTRES LIMITED ABN 47 094 446 803 and CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

**Note 4: Issued Capital (Continued)**

	No. of options 31 Dec 2008 '000	No. of options 31 Dec 2007 \$'000
<i>Options</i>		
Balance at beginning of period	7,983	3,980
Cancelled	-	(2,000)
Issued	4,000	4,950
Balance at the end of the period	<u>11,983</u>	<u>6,930</u>

**Note 5: Segment Reporting**

**Primary Reporting — Business Segments**

The consolidated entity has the following business segments:

- Clinical studies
- Research studies
- Medical equipment sales

	Clinical studies \$'000	Research studies \$'000	Medical equipment sales \$'000	Corporate overhead / Unallocated \$'000	Consolidated \$'000
<b>Period ended 31 December 2008</b>					
External sales	17,833	1,521	4,373	-	23,727
Other revenue	-	-	-	16	16
Total revenue	<u>17,833</u>	<u>1,521</u>	<u>4,373</u>	<u>16</u>	<u>23,743</u>
Segment result (before finance costs)	(1,270)	385	1,606	(2,113)	(1,392)
Finance costs				(878)	(878)
Profit before income tax					<u>(2,270)</u>
Income tax expense					<u>1,008</u>
Profit after income tax					<u>(1,262)</u>
<b>Period ended 31 December 2007</b>					
External sales	10,535	5,638	2,657	-	18,830
Other revenue	-	-	-	140	140
Total revenue	<u>10,535</u>	<u>5,638</u>	<u>2,657</u>	<u>140</u>	<u>18,970</u>
Segment result (before finance costs)	1,713	1,026	386	(2,714)	411
Finance costs				(661)	(661)
Profit before income tax					<u>(250)</u>
Income tax expense					<u>(197)</u>
Profit after income tax					<u>(447)</u>

**Note 6: Events After the Balance Sheet Date**

No events have occurred subsequent to reporting date which will have a material effect on the financial report of the Company for the half-year ended 31 December 2008.

**AVASTRA SLEEP CENTRES LIMITED ABN 47 094 446 803 and CONTROLLED ENTITY  
DIRECTORS' DECLARATION  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

The directors of the company declare that:

- (a) The financial statements and notes set out on pages 3 to 8 are in accordance with the Corporations Act 2001 and:
  - (i) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (ii) give a true and fair view of the financial position as at 30 June 2008 and the performance for the year ended on that date of the company and the consolidated group;
- (b) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors.



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Geoff Garside  
Executive Chairman

Brisbane, 27 February 2009

**INDEPENDENT REVIEW REPORT  
TO THE MEMBERS OF AVASTRA SLEEP CENTRES LIMITED**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Avastra Sleep Centres Limited, which comprises the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

**Directors' Responsibility for the Half-Year Financial Report**

The directors of Avastra Sleep Centres Limited 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 controls 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 and 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 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Avastra Sleep Centres 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.

**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, we have not become aware of any matter that makes us believe that the half-year financial report of Avastra Sleep Centres 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 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



**WHK HORWATH**  
**ABN 79 981 227 862**

**D W LANGDON**  
**Principal**

Brisbane, 27 February 2009

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WHK Pty Ltd ABN 84 006 466 351  
Level 16 WHK Horwath Centre 120 Edward Street  
Brisbane Queensland 4000 Australia  
GPO Box 736 Brisbane Queensland 4001 Australia  
Telephone +61 7 3233 3555 Facsimile +61 7 3210 6183  
Email [info.bri@whkhorwath.com.au](mailto:info.bri@whkhorwath.com.au) [www.whkhorwath.com.au](http://www.whkhorwath.com.au)  
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