



Avastra Sleep Centres Limited ("Avastra" or "the Company")

30 July 2009

APPENDIX 4C – QUARTERLY REPORT ENDING 30 JUNE 2009

Fourth Quarter

Avastra's receipts from customers of \$ 13.3 million in the fourth fiscal quarter ended 30 June 2009 increased by 38 % from \$9.6 million in the fourth fiscal quarter of the prior year ended 30 June 2008. The increase primarily was due to increased receipts from clinical sleep studies and durable medical equipment (DME) sales and favorable currency translation rates, partially offset by reduced receipts from research clinical trials.

Net operating cash flows of \$ 1.4 million in the fourth fiscal quarter ended 30 June 2009, increased by \$ 1.7 million from \$ (0.3) million in the fourth fiscal quarter of the prior year ended 30 June 2008, primarily due to increased receipts from customers and income tax refunds.

During the fourth quarter of fiscal year 2009, Avastra invested \$ 0.9 million in acquired businesses through earn-out payments. The investment in the businesses was financed primarily by operating cash flows.

Fiscal Year

Receipts from customers of \$ 52.6 million in the year ended 30 June 2009 increased by 41 % from \$37.4 million in the prior year ended 30 June 2008. The increase primarily was due to increased receipts from clinical sleep studies and durable medical equipment (DME) sales, receipts from sleep centers opened after March 2008, and favorable currency translation rates, partially offset by reduced receipts from research clinical trials.

Net operating cash flows of \$ 2.5 million in the year ended 30 June 2009, exceeded the Company's guidance updated in April 2009, and increased by \$ 3.7 million from \$ (1.2) million in the prior year ended 30 June 2008, primarily due to increased receipts from customers and income tax refunds.

Avastra's cash balance as at 30 June 2009 was \$ 0.7 million compared to \$ 1.2 million as at 30 June 2008, the end of the prior fiscal year.

ABOUT AVASTRA

Avastra Sleep Centres is one of the largest sleep services companies in the United States. Avastra's operations span over 25% of the U.S. and can be found from coast-to-coast and throughout the Midwest. Currently, AVS has 30 centres and over 300 beds owned or under management contract.

Since November 2006, Avastra has acquired seven sleep diagnostic companies, including Pacific Sleep Medicine Services and California Sleep Solutions in the West, the somniSleep Group in the Midwest, Sleep Medicine Centers in the East, and Sleep Medicine Institute Management in Seattle, Washington. Avastra also operates sleep centers in Oregon and Utah.

By order of the Board

Charles King - Company Secretary

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Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

Avastra Sleep Centres Ltd

ABN

Quarter ended ("current quarter")

47 094 446 803

30 June 2009

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A ' 000 | Year to date (12 months) \$A ' 000 |
|--|------------------------------|--|
| 1.1 Receipts from customers | 13,273 | 52,649 |
| 1.2 Payments for | | |
| (a) staff costs | (7,851) | (32,591) |
| (b) advertising and marketing | (174) | (567) |
| (c) research and development | | |
| (d) leased assets | (67) | (276) |
| (e) other working capital | (2,885) | (11,020) |
| 1.3 Dividends received | | |
| 1.4 Interest and other items of a similar nature received | 2 | 33 |
| 1.5 Interest and other costs of finance paid | (208) | (790) |
| 1.6 Income taxes paid | 780 | 511 |
| 1.7 Other (provide details if material) | (1,426) | (5,451) |
| Net operating cash flows | 1,444 | 2,498 |

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

| | Current quarter | Year to date (12 months) \$A ' 000 |
|--|-----------------|--|
| 1.8 Net operating cash flows (carried forward) | 1,444 | 2,498 |
| Cash flows related to investing activities | | |
| 1.9 Payment for acquisition of: | | |
| (a) businesses (item 5) | (873) | (4,755) |
| (b) equity investments | - | - |
| (c) intellectual property | | |
| (d) physical non-current assets | (53) | (386) |
| (e) other non-current assets | - | (37) |
| 1.10 Proceeds from disposal of: | | |
| (a) businesses (item 5) | | |
| (b) equity investments | | |
| (c) intellectual property | | |
| (d) physical non-current assets | | |
| (e) other non-current assets | | |
| 1.11 Loans to other entities | | |
| 1.12 Loans repaid by other entities | | |
| 1.13 Other (provide details if material) | | |
| Net investing cash flows | (926) | (5,178) |
| 1.14 Total operating and investing cash flows | 518 | (2,680) |
| Cash flows related to financing activities | | |
| 1.15 Proceeds from issues of shares, options, etc. | - | 202 |
| 1.16 Proceeds from sale of forfeited shares | | |
| 1.17 Proceeds from borrowings | 382 | 5,141 |
| 1.18 Repayment of borrowings | (1,095) | (3,170) |
| 1.19 Dividends paid | | |
| 1.20 Cost of raising funds | - | (48) |
| Net financing cash flows | (713) | 2,125 |
| Net increase (decrease) in cash held | (195) | (555) |
| 1.21 Cash at beginning of quarter/year to date | 879 | 1,239 |
| 1.22 Exchange rate adjustments to item 1.20 | | |
| 1.23 Cash at end of quarter | 684 | 684 |

+ See chapter 19 for defined terms

Payments to directors of the entity and associates of the directors
Payments to related of the entity and associates of the related entities

| | Current quarter \$A'000 |
|---|----------------------------|
| 1.24 Aggregate amount of payments to the parties included in item 1.2 | 48 |
| 1.25 Aggregate amount of loans to the parties included in item 1.11 | |
| 1.26 Explanation necessary for an understanding of the transactions | |
| Directors fees and superannuation \$41,025 Travel cost \$7,159 | |

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

| |
|--|
| |
|--|

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

| |
|--|
| |
|--|

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

| | Amount available \$A'000 | Amount used \$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities | 2,141 | 1,690 |
| 3.2 Credit standby arrangements | - | - |

Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | Current quarter \$A'000 | Previous quarter \$A'000 |
|---|----------------------------|-----------------------------|
| 4.1 Cash on hand and at bank | 684 | 879 |
| 4.2 Deposits at call | - | - |
| 4.3 Bank overdraft | - | - |
| 4.4 Other (provide details) | - | - |
| Total: Cash at the end of quarter (item 1.23) | 684 | 879 |

+ See chapter 19 for defined terms

Acquisitions and disposals of business entities

| | Acquisitions (Item 1.9(a)) | Disposals (Item 1.10(A)) |
|---|--|-----------------------------|
| 5.1 Name of entity | California Sleep Solutions LLC | |
| 5.2 Place of incorporation or registration | California, USA | |
| 5.3 Consideration for acquisition or disposal | US\$108,240 in earn-out payments | |
| 5.4 Total net assets | US\$717,000 | |
| 5.5 Nature of business | To operate sleep diagnostic laboratories and supplier of durable medical equipment | |
| | | |
| | Acquisitions (Item 1.9(a)) | Disposals (Item 1.10(A)) |
| 5.1 Name of entity | Pacific Sleep Medicine Services, Inc. | |
| 5.2 Place of incorporation or registration | California, USA | |
| 5.3 Consideration for acquisition or disposal | US\$47,340 in earn-out payments | |
| 5.4 Total net assets | \$7,500,000 | |
| 5.5 Nature of business | To operate sleep diagnostic laboratories and supplier of durable medical equipment | |
| | | |
| | Acquisitions (Item 1.9(a)) | Disposals (Item 1.10(A)) |
| 5.1 Name of entity | Sleep Medicine Centers of West New York | |
| 5.2 Place of incorporation or registration | New York, USA | |
| 5.3 Consideration for acquisition or disposal | US\$519,956 in earn-out payments | |
| 5.4 Total net assets | US\$884,000 | |
| 5.5 Nature of business | To operate sleep diagnostic laboratories and supplier of durable medical equipment | |

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



Sign Here:
(Company secretary)

Date: 31-Jul-09

Print name Charles King

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
- 3 **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian Standard on that topic (if any) must be complied with.