ASX disclosure information

Results for release to the market

		Percentage change %		Amount $
Revenue from continuing operations	down	(48%)	to	921,011
Loss from continuing operations after tax attributable to members	down	234%	to	(449,047)
Net Loss for the year attributable to members	down	234%	to	(449,047)
Loss from continuing operations before tax	down	16,931%	to	(693,436)

Distributions	Amount per security	Franked amount per security
Paid in current period	Nil	n/a
Paid in previous corresponding period	Nil	n/a
Payable in respect of current period	Nil	n/a
Record date for determining entitlements to the distribution	n/a	
Date the distribution is payable	n/a	

	31 December 2010 cents	30 June 2010 cents
Net tangible assets per security	12.6	15.0

Brief explanation of results

Loss after tax is $449,047 compared to a profit of $334,120 in the previous corresponding period.

Export shipments totaled over $349,000.

Further revenue growth expected in the short to medium term.

New products being launched in the second half-year.

Additional European distributors expected to be appointed in the coming months.

The income tax refund of $619,000 in respect of the 2009-10 financial year was received in October 2010.

Income tax benefit of $244,389 (2010: $330,000) due to the R&D tax concession claims available to the Group and is recoverable in cash from the ATO following lodgment of the relevant income tax return.

Austofix Group Limited

ABN 16 119 490 238

Interim Financial Report
31 December 2010

Directors	Mark Balnaves *Chairman* Tony Ingman Andrew Andreyev Jurgen Michaelis Geoff Driscoll Greg Bittar
Chief Executive Officer	Mark Szolga
Secretary and Chief Financial Officer	Charlie Latham
Registered office	18 Kinkaid Ave, North Plympton, SA 5037
Share register	Computershare Limited www.computershare.com **Postal**: GPO Box 242, Melbourne VIC 3001 **Physical**: Level 5, 115 Grenfell Street, Adelaide SA 5001 **Phone:** 1300 130 979 (outside Australia +61 3 9415 4331) **Fax:** 1800 783 447 (outside Australia +61 3 9473 2555) **Website:** www.investorcentre.com.au
Auditor	Grant Thornton South Australian Partnership, Adelaide
Solicitors	Johnson Winter & Slattery, Adelaide Kelly & Co, Adelaide
Bankers	National Australia Bank, Adelaide
Securities exchange listings	Austofix Group Limited shares are listed on the Australian Securities Exchange ASX code - AYX
Website address	www.austofix.com.au

Directors' report

Your Directors are pleased to present the financial report on the consolidated group for the half-year ended 31 December 2010.

Directors

The names of the Directors of Austofix Group Limited who held office during or since the end of the half-year were

Mark Balnaves

Tony Ingman

Andrew Andreyev

Jurgen Michaelis

Geoff Driscoll

Greg Bittar

Review of operations

About Austofix

Austofix is a publicly listed Australian company that designs, develops and distributes orthopaedic implants that:

- significantly improve the quality of life for patients who have suffered fractures and bone breakdown; and
- help resolve the significant health care issues encountered in the treatment of fractures and bone breakdown.

Our markets are driven by osteoporosis, osteoarthritis and obesity; together with the growing affluence of those afflicted by these conditions and their desire for full recovery from surgical procedures.

There is considerable overlap in the products required to treat fractures and bone breakdown caused by these three prevalent conditions.

Austofix uses its skills in product design and commercialisation, its active interest in identifying new technologies and a close relationship with surgeons and research teams, to develop products that help patients to return to the quality of their lives before their accident or illness.

Operating Activities

In a major milestone, the Company received approval from the federal government that will result in 17 more Austofix products and prostheses being listed for benefits under the Private Health Insurance Act.

Austofix is now in a position to expand marketing for these products to the private health sector. Up until now, the Company's focus has been on the public health sector.

Austofix's total hip replacement products will be launched into the Australian market during the first half of 2011. To gear up for sales of total hip replacements further investments in hip stock and instruments were made in the half-year ended 31 December 2010.

The other area for growth in the business continues to be overseas trauma product sales. 38% of revenue in the half-year came from overseas distributors. Further appointments of overseas distributors in Europe are expected over the next few months and beyond.

The income tax refund of $619,000 in respect of the 2009-10 financial year was received in October 2010.

Clinical support and logistics staff, and customer service processes, are in place in key markets to service customers as the new hip products come on stream. Customers are ready to start using the new hip products as they are introduced, which started with a limited number of procedures in December.

Investing Activities

Austofix continues to invest heavily in product development, with a further $402,000 invested in the half-year, as it works towards the creation of new and improved products to add to the portfolio.

Financing Activities

Early in the half-year additional bank borrowings of $325,000 were secured and $100,000 was raised through the issue of additional shares. These funds were used for the purchase of new hip replacement products.

$0.45 million of previous loans were converted to ordinary shares upon receiving shareholder approval at the 2010 AGM of the Company in November.

The working capital finance facility with NAB was partly drawn and repaid several times during the half-year. $99,490 was outstanding at 31 December 2010 (30 June 2010: $125,114l). The facility limit is the lower of 80% of non-export receivables or $700,000.

As announced to ASX on 30 November 2010, the Company is seeking to raise a total of up to $1.5 million by the issue of new fully paid ordinary shares at $0.325 per share to eligible persons to fund working capital to meet market demand for the Company's new hip products.

$0.79 million was received by 31 December 2010, with $0.725 million of this amount to be converted to 2,230,769 shares upon receipt of shareholder approval and the balance of 224,650 shares issued to applicants in early 2011.

The company also sought and received approval at the 2010 AGM for the issue of up to 5,000,000 fully paid ordinary shares (Placement Shares) at an issue price not less than 80% of the average market price for Austofix shares on the five trading days prior to the date of the issue of the Placement Shares to institutional and professional and sophisticated investors.

Auditor's independence declaration

The auditor's independence declaration under section 307C of the *Corporations Act 2001* for the half-year ended 31 December 2010 is set out on page 3.

This report is made in accordance with a resolution of the Board of Directors.

A. Ingman

Tony Ingman
Director

Adelaide, 28th February 2011

Grant Thornton

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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF AUSTOFIX GROUP LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Austofix Group Limited for the half-year ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

S J Gray
Partner

Adelaide, 28 February 2011

Consolidated statement of comprehensive income
Half-year ended 31 December 2010

	Note	2010	2009
		Half-years ended 31 December	
		$	$
Revenue		**921,011**	1,780,536
Cost of sales		**(448,552)**	(645,664)
Gross profit		**472,459**	1,134,872
Other income		**73,264**	67,955
Expenses:			
Marketing, selling and distribution expenses		**(649,863)**	(657,629)
Research and development expenses		**(69,090)**	(43,455)
Occupancy expenses		**(56,553)**	(64,639)
Share-based payments expenses		**(20,532)**	(46,014)
Corporate expenses		**(142,729)**	(100,519)
Administration expenses		**(215,984)**	(253,545)
Other expenses		**(5,651)**	(9,492)
Finance expenses		**(78,757)**	(23,414)
(Loss) / profit before income tax		**(693,436)**	4,120
Income tax benefit	2	**244,389**	330,000
(Loss) / profit for the half-year		**(449,047)**	334,120
Other comprehensive income			
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the half-year		**(449,047)**	334,120
(Loss) / profit attributable to:			
Members of the parent entity		**(449,047)**	334,120
Non-controlling interests		**-**	-
		(449,047)	334,120
Total comprehensive income attributable to:			
Members of the parent entity		**(449,047)**	334,120
Non-controlling interests		**-**	-
		(449,047)	334,120
Earnings per share		**Cents**	Cents
from continuing and discontinued operations:			
Basic earnings per share		**(3.6)**	2.9
Diluted earnings per share		**(3.6)**	2.3

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

Consolidated statement of financial position as at 31 December 2010

	31 December 2010	30 June 2010
ASSETS	**$**	$
Current assets		
Cash and cash equivalents	**375,770**	251,728
Trade and other receivables	**292,402**	352,742
Other assets	**553,776**	188,677
Inventories	**1,704,626**	1,265,086
Income tax receivable	**225,750**	600,520
Total current assets	**3,152,324**	2,658,753
Non-current assets		
Other financial assets	**12,409**	12,409
Trade and other receivables	**9,000**	9,000
Medical instruments held in store	**244,431**	433,978
Property, plant and equipment	**1,859,879**	1,945,038
Intangible assets	**2,304,993**	1,956,652
Total non-current assets	**4,430,712**	4,357,077
TOTAL ASSETS	**7,583,036**	7,015,830
LIABILITIES		
Current liabilities		
Trade and other payables	**448,754**	333,268
Borrowings	**1,414,878**	450,443
Provisions	**116,867**	104,132
Deferred income	**134,223**	146,065
Total current liabilities	**2,114,722**	1,033,908
Non-current liabilities		
Borrowings	**907,627**	1,511,149
Provisions	**36,023**	33,654
Deferred income	**595,053**	628,993
Total non-current liabilities	**1,538,703**	2,173,796
TOTAL LIABILITIES	**3,653,425**	3,207,704
NET ASSETS	**3,929,611**	3,808,126
EQUITY		
Issued capital	**6,367,061**	5,817,061
Reserves	**745,669**	725,137
Retained earnings	**(3,183,119)**	(2,734,072)
TOTAL EQUITY	**3,929,611**	3,808,126

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity
Half-year ended 31 December 2010

	Issued capital	Asset revaluation reserve	Employee equity benefits reserve	Retained earnings	Total
	$	$	$	$	$
Balance at 1 July 2009	5,621,977	265,499	373,388	(2,392,760)	3,868,104
Total comprehensive income for the half-year	-	-	-	334,120	334,120
Employee share options - value of employee services	-	-	46,014	-	46,014
Balance at 31 December 2009	**5,621,977**	**265,499**	**419,402**	**(2,058,640)**	**4,248,238**
Balance at 1 July 2010	5,817,061	265,499	459,638	(2,734,072)	3,808,126
Total comprehensive income for the half-year	-	-	-	(449,047)	(449,047)
New shares issued during the half-year	550,000	-	-	-	550,000
Employee share options - value of employee services	-	-	20,532	-	20,532
Balance at 31 December 2010	**6,367,061**	**265,499**	**480,170**	**(3,183,119)**	**3,929,611**

The above statement of changes in equity should be read in conjunction with the accompanying notes

Consolidated statement of cash flows
Half-year ended 31 December 2010

	Note	Half-years ended 31 December	
		2010	2009
		$	$
Cash flows from operating activities			
Receipts from customers		**930,450**	1,703,208
Payments to suppliers and employees		**(1,953,299)**	(1,975,533)
Government revenue grants received		**-**	53,308
Income tax received		**619,141**	277,689
Interest and other costs of finance paid		**(78,757)**	(23,414)
Net cash outflow from operating activities		**(482,465)**	35,258
Cash flows used in / (provided by) investing activities			
Purchase of property, plant and equipment		**(70,789)**	(6,668)
Purchase of medical instruments		**(61,626)**	(40,304)
Government grants received for acquisition of plant and equipment		**59,540**	55,000
Development expenditure capitalised		**(401,666)**	(674,999)
Interest received		**866**	5,415
Net cash outflow from investing activities		**(473,675)**	(661,556)
Cash flows from financing activities			
Proceeds from issues of share capital	6	**171,711**	-
Proceeds from related party borrowings	6	**725,000**	-
Proceeds from other borrowings		**1,242,000**	761,938
Repayment of other borrowings	6	**(1,058,528)**	(449,915)
Net cash inflow from financing activities		**1,080,183**	312,023
Net decrease in cash and cash equivalents		**124,043**	(314,275)
Cash and cash equivalents at the beginning of the financial half-year		**251,728**	603,670
Cash and cash equivalents at end of the financial half-year		**375,771**	289,395

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

Notes to the Financial Statements

1 Basis of preparation

Austofix Group Limited (the Company) is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Austofix Group Limited
18 Kinkaid Ave
North Plympton SA 5037.

Austofix is listed as a public company on the Australian Securities Exchange ("ASX").

The half-year consolidated financial statements are a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial report of Austofix Group Limited and its controlled entities (the Group). As such it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2010, together with any public announcements made during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

Going Concern

The financial report has been prepared on the basis of a going concern. The financial report shows the consolidated entity incurred a loss of $449,047 and an operating cash outflow of $482,465 for the half-year ended 31 December 2010.

The consolidated entity's ability to continue as a going concern is contingent upon achievement of regulatory approval from the Notified Body in the European Union in respect of the acetabular cup system components of the new hip replacement product range and/or successfully raising additional capital. If regulatory approval is not achieved and/or additional funds are not raised, the going concern basis may not be appropriate, with the result that the consolidated entity may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

2 Profit / (loss) for the period

The following income and expense items are relevant in explaining the financial performance for the interim period:

Income tax benefit for the period of $244,389 (2009: $330,000) relates to research and development incentives claimable by Austofix against its R&D expenditure for the period.

3 Contingent liabilities

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

4 Events subsequent to reporting date

Towards the end of the half-year, $70,711 was subscribed for new fully paid ordinary share at $0.325 per share. These new shares were issued in February 2011.

There have been no other material events subsequent to the reporting date.

5 Capital commitments

There are no capital commitments at 31 December 2010.

6 Converting debt

$450,000 of converting debt on issue as at 30 June 2010 was converted to equity in the form of fully paid ordinary shares at $1.00 per share (total 450,000 shares) following shareholder approval at the 2010 AGM. This is not included in cash inflow (share capital issued) or cash outflow (debt repaid) for the current half-year as it does not represent a movement of cash in the current half-year.

Interest outstanding on these converting loans was not paid at the time of conversion and according to the terms of the loans this is to be converted to equity at the same price as the loans themselves, again subject to shareholder approval. This approval will be sought at the next general meeting of shareholders of the Company.

A further $725,000 of converting debt was issued during the half-year. This will be converted to equity in the form of fully paid ordinary shares at $0.325 per share (total 2,230,769 shares) subject to approval at a general meeting of shareholders that is expected to be held in the first quarter of 2011. Interest accruing on these loans will also be converted to shares on the same terms as the loans themselves and again subject to shareholder approval.

100,000 new fully paid ordinary shares were issued at $1.00 each for cash during the half-year.

7 Operating segments

(i) Segment Performance

Half-year ended 31 December 2010	Manufact-uring	Distribution - Domestic	Distribution - International	Total
Revenue	$	$	$	$
External sales	58,547	512,751	349,713	921,011
Inter-segment sales	390,737	-	-	390,737
Total segment revenue	449,284	512,751	349,713	1,311,748
Reconciliation of segment revenue to Group revenue:				
Inter-segment elimination				(390,737)
Total Group revenue				921,011
Segment net profit / (loss) before tax	(144,543)	(414,131)	(2,681)	(561,355)
Reconciliation of segment result to group net loss before tax				
Unallocated items				
Amortisation				(53,324)
Finance costs				(78,757)
Net loss before tax from continuing operations				(693,436)

Half-year ended 31 December 2009	Manufact-uring	Distribution - Domestic	Distribution - International	Total
Revenue	$	$	$	$
External sales	60,000	1,361,536	359,000	1,780,536
Inter-segment sales	399,000	-	-	399,000
Total segment revenue	459,000	1,361,536	359,000	2,179,536
Reconciliation of segment revenue to Group revenue:				
Inter-segment elimination				(399,000)
Total Group revenue				1,780,536
Segment net profit / (loss) before tax	(43,000)	84,120	29,000	70,120
Reconciliation of segment result to group net loss before tax				
Unallocated items				
Finance costs				(43,000)
Other				(23,000)
Net loss before tax from continuing operations				4,120

7 Operating segments (continued)

(ii) Segment Assets

	Manufact-uring	Distribution - Domestic	Distribution - International	Total
As at 31 December 2010	$	$	$	$
Segment assets	3,271,400	2,765,982	135,926	6,173,308
Reconciliation of segment assets to group assets				
Inter-segment eliminations				(1,121,015)
Unallocated assets:				
Current tax assets				225,750
Intangibles				2,304,993
Total Group assets in continuing operations				7,583,036
As at 30 June 2010				
Segment assets	2,574,456	2,435,064	133,724	5,143,244
Reconciliation of segment assets to group assets				
Inter-segment eliminations				(684,586)
Unallocated assets:				
Current tax assets				600,520
Intangibles				1,956,652
Total Group assets in continuing operations				7,015,830

austofix

Directors' Declaration

The Directors of the Company declare that:

(a) the financial statements and notes, as set out on pages 4 to 10, are in accordance with the *Corporations Act 2001* including:

(i) complying with Accounting Standards, AASB 134: Interim Financial Reporting; and;

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of the performance for the half-year ended on that date.

(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:

On behalf of the Board

A Ingman

Tony Ingman
Director

Adelaide, 28th February 2011

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF AUSTOFIX GROUP LIMITED

We have reviewed the accompanying half-year financial report of Austofix Group Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 both the Company and the entities it controlled at the half-year's end or from time to time during the 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 establishing 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 consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a 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 2010 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 Austofix Group 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 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 Austofix Group 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 2010 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.

Material uncertainty regarding continuation as a going concern

Without qualification to the conclusion expressed above, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a loss of $449,047 and an operating cash outflow of $482,465 for the half- year ended 31 December 2010.

These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and extinguish its liabilities in the ordinary course of business and at the amounts stated in the financial report.

Grant Thornton

GRANT THORNTON SOUTH AUSTRALIAN PARTNERSHIP
Chartered Accountants

S J Gray
Partner

Adelaide, 28 February 2011