



Ambri Limited (ABN 60 079 201 835)
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10 March 2006

ASX Announcement

Ambri advances R&D program and reduces costs

Sydney-based Ambri Limited (ASX: ABI) today revealed in its half-yearly report that it has reduced its cash burn rate and lowered its operating loss while advancing its R&D program to its next stage.

The average operational cash burn rate in the six month period to December 2005 was \$454,000 per month and the total cash burn rate for the period was \$2.7 million compared to \$5.8 million for the previous corresponding period. Cost reductions already implemented should further reduce the burn rate in the second half of this financial year.

A key milestone was achieved in January 2006 when AMBRI was able to show its first chip performing three different diagnostic tests plus a reference test all at the same time on a single sample. The achievement of a multiple test array on a single chip is the primary potential competitive advantage for any product to be developed based on AMBRI's ICS technology.

Having demonstrated multiple test capability on a test bed, AMBRI now intends to concentrate its R&D effort on creating a chip with multiple tests for three different Influenza types – including the Avian H5N1 bird flu type. The new chip will be on a plastic base which AMBRI can gold imprint and fully assemble in-house, giving flexibility to advance quickly with product prototyping.

The recently announced Australian Government R&D grant specifically for a bird flu diagnostic, complements AMBRI's inclusion of avian influenza in its development program and will contribute \$425,000 in funding to be shared equally with the Institute of Medical and Veterinary Science.

On 1 February 2006 BEL advised it has ceased its own research work into the ICS technology, but that it is actively continuing discussions with potential sub-licensees to commercialise the technology. AMBRI has the capability and is prepared to provide ongoing ICS biosensor technical support to BEL and its sub-licensees.

The financial results of the Company for the six months ended 31 December produced a loss from ordinary activities of \$2.8 million compared to a loss of \$5.0 million for the prior corresponding six month period.

This result included \$390,000 on professional services which in large part were associated with merger & acquisition search and due diligence activities. Whilst developing its own technology AMBRI is actively pursuing merger & acquisition opportunities as another means to protect and restore shareholder value.

For further information contact:

Roman Zwolenski, Managing Director/CEO

Tel: +612 94223000

Further information regarding the Company and its technology is available on its web site (www.ambri.com).

Appendix 4D

Half year report
Period ending on 31 December 2005

AMBRI LIMITED
ABN 60 079 201 835

1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Change	%Change		\$A,000
Revenues from ordinary activities	Down	1%	to	113
Financial Income	Down	42%	to	269
Loss from ordinary activities after tax attributable to members	Down	45%	to	(2,768)
Net Loss attributable to members	Down	45%	to	(2,768)
Dividends (distributions)	It is not proposed to pay a dividend			

2. REPORTING PERIOD

The financial information contained in this report is for the **six month period ended 31 December 2005**. This Appendix 4D report should be read in conjunction with Ambri Limited's annual report for the twelve months to 30 June 2005 which is available from Ambri's website at www.ambri.com, and the 31 December 2005 half-year financial report.

Australian equivalents to International Financial Reporting Standards ("A-IFRS") have been applied in compiling the Financial Report for the half-year 31 December 2005. All comparative amounts in the Financial Report have also been prepared under A-IFRS. Comparative amounts, unless otherwise indicated, are for the six month period ended 31 December 2004.

3. NET TANGIBLE ASSET BACKING PER SHARE

	31 Dec 2005	31 Dec 2004
Net Tangible asset backing per ordinary share	4.41 cents	8.12 cents

4. CHANGES IN CONTROL OVER GROUP ENTITIES

Ambri Distribution Pty Limited, a non-operating 100% controlled entity, was deregistered on 7 August 2005. Excepting the above, there were no changes in the control exercised by the Company over group entities during the half-year ended 31 December 2005.

5. DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS

During the half-year 31 December 2005 no dividends were either paid or proposed. The company does not operate a dividend reinvestment plan.

6. ASSOCIATES AND JOINT VENTURES

During the half-year the Company did not hold any interests in associates or joint ventures

7. UNAUDITED FINANCIAL INFORMATION

The information contained in this report is unaudited. The financial report for the half-year ended 31 December 2005 has been reviewed by the Company's auditors.

The Company is not aware of any matters associated with the financial report for the half-year ended 31 December 2005 that are likely to be subject to dispute or qualification by the Company's auditors.

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Phillip Camilleri
Company Secretary
10 March 2006

Ambri Limited
and its controlled entities
31 December 2005 half-year
financial report
ABN 60 079 201 835

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Ambri Limited and its controlled entities

Directors' report

The directors present their report together with the consolidated financial report for the half-year ended 31 December 2005 and the review report thereon.

Directors

The directors of the company at any time during or since the end of the half-year are:

Name	Period of directorship
Non-executive	
John Grant Chairman and Independent Non-Executive Director	Appointed 21 September 2001. Chairman since 31 August 2003.
David Cornelius Non-Executive Director	Appointed 11 December 2002. Resigned 10 February 2006.
Dr Tina Clifton Independent Non-Executive Director	Appointed 23 August 2001.
Professor Silviu Itescu Independent Non-Executive Director	Appointed 18 September 2003.
Executive	
Roman Zwolenski Executive Director	Independent Non-Executive Director Appointed 18 September 2003. Managing Director/ Chief Executive Officer Appointed 11 October 2004.

Review of operations

AMBRI has continued to focus on developing a test bed demonstrator of its ICS biosensor technology configured on miniature silicon chips, with the aim of being able to demonstrate technology capability in order to secure commercial partners to develop products based on AMBRI's technology.

The Company's R&D team has now successfully produced several units of a test bed electronic reader system and three diagnostic tests have been configured on various silicon based chips.

A key milestone was achieved in January 2006 when AMBRI was able to show its first chip performing 3 different diagnostic tests plus a reference test all at the same time on a single sample. The achievement of a multiple test array on a single chip has long been recognised as being the primary potential competitive advantage for any product to be developed based on AMBRI's ICS technology.

Having demonstrated multiple test capability on a test bed, AMBRI now intends to concentrate its R&D effort on creating a chip with multiple tests for 3 different Influenza types.

Ambri Limited and its controlled entities

Directors' report

Review of operations (continued)

Influenza has been identified as offering the fastest route to commercialisation for a product based on AMBRI's technology. The target market for a triple test influenza product is testing people with suspected respiratory infections and to discriminate the type of influenza involved with a rapid test. It represents a commercial opportunity of substantial size as demonstrated by rapid diagnostics already in the market to test for Influenza A and Influenza B.

The commercial opportunity for a multi-test influenza product has been expanded significantly by the global risk of a bird flu pandemic. AMBRI expects to be able to add avian influenza type H5N1 as the third test in the triple test new chip being developed. The recently announced Australian Government R&D grant specifically for a bird flu diagnostic, complements AMBRI's inclusion of avian influenza in its development program.

Although the Company's R&D team is working with a clear product definition and goal, development of specific products will require a commercial partner or additional funding.

As is typical with new technology R&D such as AMBRI's there are unexpected challenges along the way which require adjustment in strategy and implementation. Narrowing the Company's focus to a respiratory diagnostic program has resulted in fewer R&D people being required. AMBRI's R&D team has been reduced progressively over the past three months and effective March 2006 the headcount of the Company is approximately 16 including several positions which are part-time.

During the past half-year AMBRI has continued to support its international licensee BEL, who in 2002 licensed the AMBRI technology to develop products for markets outside of AMBRI's Professional Human Medical Field. On 1 February 2006 BEL advised it has ceased its own research work into the ICS technology, but that it is actively continuing discussions with potential sub-licensees to commercialise the technology. AMBRI has the capability and is prepared to provide ongoing ICS biosensor technical support to BEL and its sub-licensees.

Net cash burn from operational activities for the 6 months ended December 2005 was \$2,725,000 (average \$454,000 per month) compared to \$5,773,000 for the corresponding December 2004 period. Cost reductions already implemented should further decrease the burn rate in the second half of this financial year.

The financial results of the Company for the six months ended 31 December produced a loss from ordinary activities of \$2,768,000 compared to a loss of \$5,037,000 for the prior corresponding six month period. This result included \$390,000 on professional services which in large part were for M&A search and due diligence activities.

The opening cash balance was \$10,901,000 while the balance at 31 December 2005 was \$8,204,000. The net cash decrease of \$2,697,000 was predominately used in operating activities.

Ambri Limited and its controlled entities
Directors' report

Lead Auditor's Independence Declaration under Section 307C of the
Corporations Act 2001

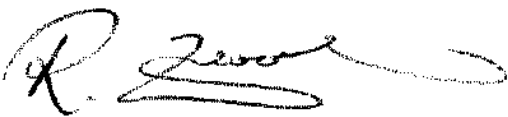
The lead auditor's independence declaration is set out on page 26 and forms part of the directors' report for the half-year ended 31 December 2005.

Rounding off

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Chatswood this 10th day of March 2006.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to read 'R. Zwolenski', enclosed within a rectangular box.

R Zwolenski
Managing Director/Chief Executive Officer

A handwritten signature in black ink, appearing to read 'J. Grant', located to the right of the first signature.

J Grant
Chairman

Ambri Limited and its controlled entities

Condensed consolidated interim income statement

For the six months ended 31 December 2005

In thousands of AUD

	Note	31 Dec 2005	31 Dec 2004
Revenue	2	113	114
Cost of sales		(53)	(56)
Gross profit		60	58
Sales & marketing expenses		(8)	(33)
Employee expenses		(1,661)	(3,062)
Research & development expenditure (excluding employee expenses)		(274)	(928)
Research & development fee provision utilised		228	-
Occupancy expenses		(233)	(242)
Depreciation and amortisation		(218)	(419)
Impairment of property, plant and equipment		-	(20)
Travel expenses		(26)	(94)
Patent expenses		(85)	(188)
Professional fees		(390)	(103)
Administration		(249)	(301)
Other expenses from ordinary activities		(183)	(173)
Net gain on non-current assets sold		2	5
Operating loss before financing costs		(3,037)	(5,500)
Financial income		269	463
Financial expenses		-	-
Net financing costs		269	463
Loss before tax		(2,768)	(5,037)
Income tax expense		-	-
Loss for the period attributable to equity holders of the parent		(2,768)	(5,037)
Basic earnings per share attributable to ordinary equity holders (AUD)		(0.015)	(0.028)
Diluted earnings per share attributable to ordinary equity holders (AUD)		(0.014)	(0.022)

The income statement is to be read in conjunction with the notes to the interim financial statements set out on pages 9 to 22

Ambri Limited and its controlled entities

Condensed consolidated interim statement of recognised income and expense

For the six months ended 31 December 2005

In thousands of AUD

	31 Dec 2005	31 Dec 2004
Actuarial losses on defined benefit plans	-	(10)
Net expense recognised directly in equity	-	(10)
Loss for the period	(2,768)	(5,037)
Total recognised income and expense for the period	(2,768)	(5,047)
Attributable to equity holders of the parent	(2,768)	(5,047)

Other movements in equity arising from transactions with owners as owners are set out in note 3.

The statement of recognised income and expense is to be read in conjunction with the notes to the interim financial statements set out on pages 9 to 22.

Ambri Limited and its controlled entities

Condensed consolidated interim balance sheet

As at 31 December 2005

In thousands of AUD

	Note	31 Dec 2005	30 June 2005
Current Assets			
Cash and cash equivalents		8,204	10,901
Trade and other receivables		59	91
Inventories		7	7
Other current assets		248	151
Total current assets		8,518	11,150
Non-current assets			
Property, plant and equipment		369	586
Total non-current assets		369	586
Total assets		8,887	11,736
Current Liabilities			
Trade and other payables		589	652
Employee benefits		181	243
Provisions		78	78
Total current liabilities		848	973
Non-current Liabilities			
Employee benefits		86	76
Provisions		46	86
Total non-current liabilities		132	162
Total liabilities		980	1,135
Net assets		7,907	10,601
Equity			
Issued capital	3	97,762	97,736
Accumulated losses	3	(89,855)	(87,135)
Total equity		7,907	10,601

The balance sheet is to be read in conjunction with the notes to the interim financial statements set out on pages 9 to 22.

Ambri Limited and its controlled entities

Condensed consolidated interim statement of cash flows

For the six months ended 31 December 2005

In thousands of AUD

	31 Dec 2005	31 Dec 2004
Cash flows from operating activities		
Cash receipts from customers	129	167
Cash paid to suppliers and employees	(3,121)	(6,403)
Cash generated from operations	(2,992)	(6,236)
Interest received	267	463
Net cash from operating activities	(2,725)	(5,773)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	3	7
Acquisition of property, plant and equipment	(1)	(145)
Net cash from investing activities	2	(138)
Cash flows from financing activities		
Proceeds from the issue of share capital	26	18
Net cash from financing activities	26	18
Net decrease in cash and cash equivalents	(2,697)	(5,893)
Cash and cash equivalents at 1 July	10,901	20,214
Cash and cash equivalents at 31 December	8,204	14,321

This statement of cashflows is to be read in conjunction with the notes to the interim financial statements set out on pages 9 to 22.

Notes to the condensed consolidated interim financial statements

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Notes to the condensed consolidated interim financial statements

1. Significant accounting policies

Ambri Limited (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial report of the Company for the six months ended 31 December 2005 comprise the Company and its subsidiaries (together referred to as the "consolidated entity").

The condensed consolidated interim financial report was authorised for issue by the directors on 10 March 2006.

(a) Statement of Compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ("AIFRS"), to distinguish from previous Australian GAAP.

This is the consolidated entity's first AIFRS condensed consolidated interim financial report for part of the period covered by the first AIFRS annual financial report and AASB 1 *First time adoption of Australian equivalents to International Financial Reporting Standards*. The condensed consolidated interim financial report does not include all of the information required for a full annual financial report.

The interim financial report is to be read in conjunction with the most recent annual financial report, however, the basis of their preparation is different to that of the most recent annual financial report due to the first time adoption of AIFRSs. This report must also be read in conjunction with any public announcements made by Ambri Limited during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

An explanation of how the transition to AIFRSs has affected the reported financial position, financial performance and cash flows of the consolidated entity is provided in note 4. This note includes reconciliations of equity and profit or loss for comparative periods reported under Australian GAAP (previous GAAP) to those reported for those periods under AIFRSs.

(b) Basis of Preparation

The financial report is presented in Australian dollars and prepared on the historical cost basis.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The preparation of an interim financial report in conformity with AASB 134 *Interim Financial Reporting* requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

This condensed consolidated interim financial report has been prepared on the basis of AIFRSs in issue that are effective or available for early adoption at the consolidated entity's first AIFRS annual reporting date, 30 June 2006. Based on these AIFRSs, the Board of Directors have made assumptions about the accounting policies expected to be adopted when the first AIFRS annual financial report is prepared for the year-ending 30 June 2006.

The entity has elected to early adopt AASB 119, Employee Benefits.

Notes to the condensed consolidated interim financial statements

Significant accounting policies (continued)

(b) Basis of Preparation (continued)

The Australian Accounting Standards that will be effective or available for voluntary early adoption in the annual financial statements for the period ending 30 June 2006 are still subject to change therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the first AIFRS financial statements are prepared at 30 June 2006.

The preparation of the condensed consolidated interim financial report in accordance with AASB 134 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards – AIFRSs, as required by AASB 1. The impact of the transition from previous GAAP to AIFRSs is explained in note 4. Where relevant, the accounting policies applied to the comparative period have been disclosed if they differ from the current period policy.

The accounting policies have been applied consistently throughout the consolidated entity for purposes of this condensed consolidated interim financial report.

Ambri Limited is a development stage company. The principal activity of the Company is research and development of a biosensor platform incorporating AMBRI's Ion Channel Switch ICS Technology as the basis of diagnostic products in the Professional Human Medical Field in Hospitals, Clinics and Doctors Offices.

AMBRI's business aim is to secure commercial partners for products based on the ICS technology and for AMBRI to earn its revenue from technology license fees and royalties from products sold under third party label. Additionally the Company is pursuing Merger and Acquisition activities as a means of protecting AMBRI's shareholder value and providing another avenue for exploitation of AMBRI's technical, physical and financial resources.

There is an exclusive world wide license agreement for applications of AMBRI's ICS technology to fields other than the Professional Human Medical Field. The licensee is Biosensor Enterprises LLC (BEL), a joint venture company set up by Dow Corning Corporation and Genencor International Inc. who have undertaken to pay AMBRI royalties on the products they commercialise, directly or through their sub-licensees.

The Directors believe it is appropriate to prepare the financial report on a going concern basis as the Directors consider that under the current business plan and underlying financial forecasts to the end of March 2007 the consolidated entity should have sufficient cash resources to pay all estimated liabilities and commitments. The ability of the consolidated entity to continue as a going concern beyond March 2007 is dependant upon successful progress with its technical program, resulting in a commercial partner and/or additional funds being secured. Although it is the Company's stated aim to merge with a suitable business there is no certainty about the timing and the financial impact of such a merger.

Notes to the condensed consolidated interim financial statements

Significant accounting policies (continued)

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the condensed consolidated interim financial report from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the condensed consolidated interim financial statements.

(d) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, generally are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

(e) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy j). The cost of acquired assets includes (i) the initial estimate at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and (ii) changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Notes to the condensed consolidated interim financial statements

Significant accounting policies (continued)

(e) Property, plant and equipment (continued)

(ii) Leased assets

Leases in terms of which the consolidated entity assumes substantially all of the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases.

(iii) Subsequent costs

The consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iv) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

- Plant and equipment 3 years
- Fixtures and fittings 3 to 10 years
- Office equipment 3 to 10 years
- Leasehold improvements Over term of lease

Depreciation methods and useful lives, as well as residual values, if not insignificant, are reassessed annually.

(f) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the consolidated entity has sufficient resources to complete development.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses (see accounting policy j).

(g) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy j).

For receivables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables are discounted to determine the fair value.

Notes to the condensed consolidated interim financial statements

Significant accounting policies (continued)

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of manufacturing inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, bank accepted commercial bills and call deposits with an original maturity of three months or less.

(j) Impairment

The carrying amounts of the consolidated entity's assets, other than inventories (see accounting policy h), employee benefit assets (see accounting policy l) and deferred tax assets (see accounting policy q), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

An impairment loss is reversed, when there is an indication that the impairment loss no longer exists or there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Share capital

Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit, to the extent that it is probable the related income tax benefit will be realised.

(l) Employee benefits

(i) Superannuation benefits

The Company and certain controlled entities have a legally enforceable obligation to contribute to employee nominated accumulated benefit superannuation funds or the default Ambri Limited Superannuation Fund which comprises an accumulated benefits section and a defined benefits section.

• **Accumulated benefit fund**

Contributions in relation to the accumulated benefits section of the Fund are recognised as an expense when they are incurred.

Notes to the condensed consolidated interim financial statements

Significant accounting policies (continued)

- (l) **Employee benefits (continued)**
- (i) **Superannuation benefits (continued)**

- **Defined benefit fund**

The consolidated entity has early adopted the revised AASB 119 *Employee Benefits* (December 2004).

The consolidated entity's net obligation in respect of the defined benefit plan is calculated by estimating the amount of future benefit that the employee has earned in return for his service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The discount rate is the yield at the balance sheet date on government bonds that have maturity dates approximating the terms of the consolidated entity's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

If the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

All actuarial gains and losses that arise subsequent to 1 July 2004 are recognised directly to accumulated losses.

When the calculation results in plan assets exceeding liabilities to the consolidated entity, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Past service cost is the increase in the present value of the defined benefit obligation for employee services in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service costs may either be positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

- (iii) **Long-term service benefits**

The consolidated entity's net obligation in respect of long-term service benefits, other than the defined benefit plan, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the consolidated entity's obligations.

- (iv) **Share-based payment transactions**

The share option programme allows consolidated entity employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

The fair value of shares granted is measured by reference to the closing ASX market price of shares at grant date, adjusted as necessary for any terms or conditions attached to the shares.

Notes to the condensed consolidated interim financial statements

Significant accounting policies (continued)

(l) Employee benefits (continued)

(v) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits, such as cars, are expensed based on the net marginal cost to the consolidated entity as the benefits are taken by the employees.

(m) Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

(n) Trade and other payables

Trade and other payables are measured at amortised cost.

For payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other payables are discounted to determine the fair value.

(o) Revenue from goods sold and services rendered

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

(p) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(ii) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested and foreign exchange gains and losses.

Interest income is recognised in the income statement as it accrues, using the effective interest method.

(q) Income tax

Income tax on the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes to the condensed consolidated interim financial statements

Significant accounting policies (continued)

(q) Income tax (continued)

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

At balance date, the Company has not entered into a tax consolidation group. Therefore *UIG 1052 Tax Consolidation Accounting* has not been adopted.

(r) Segment reporting

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(s) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Notes to the condensed consolidated interim financial statements

2. Segment reporting

Business and geographical segments

Ambri Limited and its controlled entities operate predominantly within the medical diagnostics industry in Australia.

3. Capital and reserves

Reconciliation of movement in capital and reserves

Attributable to equity holders of the parent

Consolidated

In thousands of AUD

	Share capital	Accumulated losses	Total equity
Balance at 1 July 2005	97,736	(87,135)	10,601
Total recognised income and expense	-	(2,768)	(2,768)
Equity-settled transactions – net of tax	-	48	48
Shares issued to Non-executive directors in lieu of fees	26	-	26
Balance at 31 December 2005	97,762	(89,855)	7,907

Share capital

The consolidated entity recorded the following amounts within shareholder's equity as a result of the issuance of ordinary shares.

For the six months ended 31 December 2005

In thousands of AUD

	Share Capital	
	31 Dec 2005	31 Dec 2004
Issuance of ordinary shares	26	18

	Ordinary shares	
	2005	2004
On issue at 1 July	179,498,057	179,237,764
Shares issued		
To Non-Executive Directors in-lieu of fees*	-	102,308
On issue at 31 December – fully paid	179,498,057	179,340,072

* In respect of the 6 months to December 2005, 283,381 shares were granted from the unallocated pool of shares held by a controlled entity in Trust.

Dividends

No dividends were paid by the consolidated entity.

Notes to the condensed consolidated interim financial statements

4. Explanation of transition to AIFRSs

As stated in note 1(a), these are the consolidated entity's first condensed consolidated interim financial statements for part of the period covered by the first AIFRS annual consolidated financial statements prepared in accordance with Australian Accounting Standards - AIFRSs.

The accounting policies in note 1 have been applied in preparing the condensed consolidated interim financial statements for the six months ended 31 December 2005, the comparative information for the six months ended 31 December 2004, the financial statements for the year ended 30 June 2005 and the preparation of an opening AIFRS balance sheet at 1 July 2004 (the consolidated entity's date of transition).

In preparing its opening AIFRS balance sheet, comparative information for the six months ended 31 December 2004 and financial statements for the year ended 30 June 2005, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP).

An explanation of how the transition from previous GAAP to AIFRSs has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

			Effect of		Effect of			Effect of	
	Previous	transition		Previous	transition		Previous	transition	
	GAAP	to AIFRSs	AIFRSs	GAAP	to AIFRSs	AIFRSs	GAAP	to AIFRSs	AIFRSs
<i>In thousands of AUD</i>									
Note		1 July 2004			31 December 2004			30 June 2005	
Assets									
Cash and cash equivalents	20,214	-	20,214	14,321	-	14,321	10,901	-	10,901
Trade and other receivables	198	-	198	82	-	82	91	-	91
Inventories	63	-	63	7	-	7	7	-	7
Other current assets	161	-	161	335	-	335	151	-	151
Total current assets	20,636	-	20,636	14,745	-	14,745	11,150	-	11,150
Property, plant and equipment	1,243	-	1,243	951	-	951	586	-	586
Total non-current assets	1,243	-	1,243	951	-	951	586	-	586
Total assets	21,879	-	21,879	15,696	-	15,696	11,736	-	11,736
Liabilities									
Trade and other payables	1,815	-	1,815	668	-	668	660	-	660
Employee benefits	d, f 422	(21)	401	346	(12)	334	237	(2)	235
Provisions	-	-	-	-	-	-	78	-	78
Total current liabilities	2,237	(21)	2,216	1,014	(12)	1,002	975	(2)	973
Employee benefits	129	-	129	134	-	134	76	-	76
Provisions	-	-	-	-	-	-	86	-	86
Total non-current liabilities	129	-	129	134	-	134	162	-	162
Total liabilities	2,366	(21)	2,345	1,148	(12)	1,136	1,137	(2)	1,135
Net assets	19,513	21	19,534	14,548	12	14,560	10,599	2	10,601
Equity									
Issued capital	97,697	-	97,697	97,715	-	97,715	97,736	-	97,736
Accumulated losses	c, d, e, f (78,184)	21	(78,163)	(83,167)	12	(83,155)	(87,137)	2	(87,135)
Total equity attributable to equity holders of the parent	19,513	21	19,534	14,548	12	14,560	10,599	2	10,601
Total equity	19,513	21	19,534	14,548	12	14,560	10,599	2	10,601

Notes to the condensed consolidated interim financial statements

4. Explanation of transition to AIFRSs (continued)

Notes to the reconciliation of equity

- (a) As permitted by the election available under AASB 1, the classification and accounting treatment of business combinations that occurred prior to transition date have not been restated in preparing the opening AIFRS balance sheet.
- (b) Under AIFRS the gain or loss on the disposal of property, plant and equipment is recognised on a net basis as a gain or loss rather than separately recognising the consideration received as revenue. For the consolidated entity an amount of \$13,000 has been reclassified from revenue to other expenses for the financial year ended 30 June 2005. No similar adjustments were required for the Company.
- (c) Under previous GAAP certain pension obligations were recognised on a cash basis. In accordance with AASB 1, the cumulative actuarial gains and losses existing at 1 July 2004 amounting to \$27,000 have been recognised for the defined benefit plan.
- (d) Under the previous GAAP, the consolidated entity only recognised as a liability in the balance sheet any deficiency in the defined benefit obligation. The deficiency in the defined benefits section of the Company's Superannuation Fund was \$120,000 as at 30 June 2004. We have elected to early adopt AASB119 which permits a number of options for recognising actuarial gains and losses. We have elected to apply the option to recognise actuarial gains and losses directly in accumulated losses. At the date of transition the liability of the consolidated entity decreased by an amount of \$27,000 with a consequential decrease in accumulated losses. No adjustment was required for the Company.

For the financial year ended 30 June 2005 the adjustment in the consolidated entity to recognise the decrease in the pension liability for the year was \$99,000, with no increase or decrease in employee cost recognised in the income statement and actuarial losses of \$20,000 recognised directly through retained earnings. No similar adjustments were required for the Company.

- (e) Under previous Australian GAAP no expense is recognised for options and shares issued to employees.

Under AIFRS, the fair value of options and shares granted must be recognised as an employee benefit expense with a corresponding increase in equity. The fair value will be measured at grant date taking into account any market performance conditions, and spread over the vesting period during which the employee becomes unconditionally entitled to the options. The fair value of options granted is measured using the binomial method, taking into account the terms and conditions attached to the options. The fair value of shares granted is expected to be measured by reference to the closing ASX market price of shares at grant date, adjusted as necessary for any terms or conditions attached to the shares. No adjustment is required to be made for options and shares granted before 7 November 2002 which have vested before 1 January 2005.

The effect in the consolidated entity of accounting for equity-settled share-based payment transactions at fair value is to increase *Employee expenses* by \$54,000 for the six months ended 31 December 2004 and by \$100,000 for the year ended 30 June 2005.

- (f) Under previous GAAP, the company did not recognise a provision for employees' sick leave entitlements. Under AIFRS, a provision is recognised for the expected yearly cost of sick leave in excess of their yearly entitlement. The effect on the consolidated entity of accounting for sick leave entitlements is to increase employee benefits liability at 1 July 2004 by \$6,000. There is no material impact of accounting for sick leave entitlements for the six months ended 31 December 2004 and the year ended 30 June 2005.

Explanation of material adjustments to the cash flow statement for 2005

- (a) There are no material differences between the cash flow statement presented under AIFRSs and the cash flow statement presented under previous GAAP.

Notes to the condensed consolidated interim financial statements

4. Explanation of transition to AIFRSs (continued)

Reconciliation of loss for 2005

	Effect of			Effect of		
	Previous	transition		Previous	transition	
	GAAP	to AIFRSs	AIFRSs	GAAP	to AIFRSs	AIFRSs
	For the six months ended			For the year ended		
	31 Dec 2004			30 Jun 2005		
<i>In thousands of AUD</i>						
Revenue	121	(7)	114	240	(13)	227
Cost of sales	(56)	-	(56)	(103)	-	(103)
Gross profit	65	(7)	58	137	(13)	124
Sales & marketing expenses	(33)	-	(33)	(50)	-	(50)
Employee expenses	(3,008)	(54)	(3,062)	(5,135)	(100)	(5,235)
Research & development expense (excluding employee expenses)	(928)	-	(928)	(1,377)	-	(1,377)
Research & development fee provision	-	-	-	(310)	-	(310)
Occupancy expenses	(242)	-	(242)	(671)	-	(671)
Depreciation and amortisation expense	(419)	-	(419)	(737)	-	(737)
Impairment of property, plant and equipment	(20)	-	(20)	(66)	-	(66)
Travel expenses	(94)	-	(94)	(104)	-	(104)
Patent expenses	(188)	-	(188)	(321)	-	(321)
Professional fees	(103)	-	(103)	(198)	-	(198)
Administration	(301)	-	(301)	(524)	-	(524)
Other expenses from ordinary activities	(173)	-	(173)	(392)	-	(392)
Cost of sale of non-current assets	(2)	2	-	(6)	6	-
Net gain on non-current assets sold	-	5	5	-	7	7
Operating loss before financing costs	(5,446)	(54)	(5,500)	(9,754)	(100)	(9,854)
Financial income	463	-	463	801	-	801
Financial expenses	-	-	-	-	-	-
Net financing costs	463	-	463	801	-	801
Loss before tax	(4,983)	(54)	(5,037)	(8,953)	(100)	(9,053)
Income tax expense	-	-	-	-	-	-
Loss for the period	(4,983)	(54)	(5,037)	(8,953)	(100)	(9,053)
Attributable to:						
Equity holders of the parent	(4,983)	(54)	(5,037)	(8,953)	(100)	(9,053)
Loss for the period	(4,983)	(54)	(5,037)	(8,953)	(100)	(9,053)
Basic earnings per share from continuing operations (AUD)	(0.028)		(0.028)	(0.050)		(0.050)
Diluted earnings per share from continuing operations (AUD)	(0.021)		(0.021)	(0.040)		(0.040)


Directors' declaration

In the opinion of the directors of Ambri Limited ("the company"):

1. the financial statements and notes set out on pages 5 to 22, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2005 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated at Chatswood this 10th day of March 2006.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, appearing to read 'R. Zwolenski', enclosed within a rectangular box.

R Zwolenski
Managing Director / Chief Executive Officer

A handwritten signature in black ink, appearing to read 'J. Grant', located to the right of the signature of R Zwolenski.

J Grant
Chairman

Independent review report to the members of Ambri Limited

Scope

We have reviewed the financial report of Ambri Limited (“the Company”) and its controlled entities (“the Consolidated entity”) for the half-year ended 31 December 2005, consisting of the condensed consolidated interim statement of income, balance sheet, statement of recognised income and expense, statement of cash flows, accompanying notes 1 to 4 and the directors’ declaration set out on pages 5 to 23. The financial report includes the consolidated financial statements 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. The Company’s directors are responsible for the financial report including the relevant reconciling information regarding adjustments required under the Australian Accounting Standard AASB 1 *First-Time Adoption of Australian equivalents to International Financial Reporting Standards*.

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity’s financial position, and performance as represented by the results of its operations and its cash flows and in order for the Company to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

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 Ambri Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated entity’s financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
 - ii. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

Inherent uncertainty regarding going concern

Without qualification to the statement above, attention is drawn to the following matter:

As described by the directors in Note 1(b) 'Basis of preparation', the financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. Ambri Limited and its controlled entities ('the consolidated entity') incurred an operating loss of \$2,768,000 during the half-year ended 31 December 2005.

The directors nevertheless believe that it is appropriate to prepare the financial report on a going concern basis given the current business plan and underlying financial forecasts which indicate that the consolidated entity should have sufficient cash resources to pay all estimated liabilities and commitments to the end of March 2007.

In the event that the consolidated entity is unable to raise additional funds for its operations beyond March 2007, there is significant uncertainty whether the company and the consolidated group will be able to continue as a going concern and therefore whether it can realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the statements of financial position.

KPMG

KPMG



Kevin Leighton
Partner

Place: Sydney

Date: 10 March 2006

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Ambri Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the financial period ended 31 December 2005 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.

KPMG

KPMG



Kevin Leighton
Partner

Sydney

10 March 2006