

# **Immunotec Inc.**

Interim Consolidated Financial Statements  
(Unaudited)  
**April 30, 2009**

# Immunotec Inc.

## Interim Consolidated Balance Sheet (Unaudited)

	As at April 30, 2009 \$	As at October 31, 2008 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,463,783	6,138,454
Restricted cash (note 3)	760,770	-
Accounts receivable	1,129,416	812,914
Income taxes receivable	92,307	118,692
Inventories	4,881,206	2,979,230
Prepaid expenses	1,126,673	548,333
Future income taxes	1,037,000	1,037,000
	<hr/>	<hr/>
	11,491,155	11,634,623
<b>Property, plant and equipment</b>	6,122,603	6,210,788
<b>Intangible assets</b>	2,480,866	2,527,596
<b>Other assets (note 4)</b>	1,265,429	1,238,885
<b>Goodwill</b>	499,541	499,541
<b>Future income taxes</b>	751,504	551,967
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	22,611,098	22,663,400
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	4,800,630	4,243,914
Customer deposits	319,183	261,735
Income taxes payable	-	46,538
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	5,119,813	4,552,187
<b>Shareholders' Equity</b>		
Share capital (note 5)	3,465,548	3,465,548
Other equity – Stock options (note 6)	1,608,045	1,414,885
Contributed surplus	11,337,796	11,332,143
Retained earnings	1,079,896	1,898,637
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	17,491,285	18,111,213
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	22,611,098	22,663,400

Approved by the Board of Directors

  
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Richard Patte Director

  
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James A. Northrop Director

# Immunotec Inc.

## Interim Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

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	<b>Number of common shares</b>	<b>Share capital \$</b>	<b>Other equity – Stock options \$</b>	<b>Contributed surplus \$</b>	<b>Retained earnings \$</b>	<b>Total \$</b>
<b>Balance - October 31, 2007</b>	69,994,300	3,465,548	736,416	11,326,406	956,836	16,485,206
Net earnings	-	-	-	-	745,110	745,110
Stock-based compensation (note 6)	-	-	351,600	-	-	351,600
<b>Balance – April 30, 2008</b>	69,994,300	3,465,548	1,088,016	11,326,406	1,701,946	17,581,916
<b>Balance - October 31, 2008</b>	69,994,300	3,465,548	1,414,885	11,332,143	1,898,637	18,111,213
Net loss	-	-	-	-	(818,741)	(818,741)
Stock-based compensation (note 6)	-	-	193,160	5,653	-	198,813
<b>Balance – April 30, 2009</b>	69,994,300	3,465,548	1,608,045	11,337,796	1,079,896	17,491,285

# Immunotec Inc.

## Interim Consolidated Statement of (Loss) Earnings and Comprehensive Income (Unaudited)

	For the three-month period ended April 30,		For the six-month period ended April 30,	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>Net sales</b>	12,691,686	9,180,346	22,795,284	17,824,761
<b>Cost of sales</b>	2,538,842	1,727,304	4,312,370	3,366,911
	10,152,844	7,453,042	18,482,914	14,457,850
<b>Operating expenses</b>				
Sales incentives	5,968,448	3,731,886	10,458,376	7,274,096
Selling, general and administrative (note 9)	4,926,043	3,028,620	9,004,815	5,926,128
	10,894,491	6,760,506	19,463,191	13,200,224
<b>(Loss) Earnings before income taxes</b>	(741,647)	692,536	(980,277)	1,257,626
<b>(Recovery) Income tax provision</b>				
Current	(21,451)	38,731	38,001	106,398
Future	(102,660)	219,756	(199,537)	406,118
	(124,111)	258,487	(161,536)	512,516
<b>Net (loss) earnings and comprehensive income</b>	(617,536)	434,049	(818,741)	745,110
<b>Net (loss) earnings per share (note 10)</b>				
Basic and diluted	(0.009)	0.006	(0.012)	0.011
<b>Weighted average number of common shares outstanding during the period (note 10)</b>				
Basic and diluted	69,994,300	69,994,300	69,994,300	69,994,300

# Immunotec Inc.

## Interim Consolidated Statement of Cash Flows (Unaudited)

	For the three-month period ended April 30,		For the six-month period ended April 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Cash flows from</b>				
<b>Operating activities</b>				
Net (loss) earnings	(617,536)	434,049	(818,741)	745,110
Items not affecting cash				
Amortization of property, plant and equipment	132,829	207,045	265,237	398,117
Amortization of intangible assets	132,749	50,655	264,169	100,771
Future income taxes	(102,660)	219,756	(199,537)	406,118
Stock-based compensation	76,497	139,826	198,813	351,600
	(378,121)	1,051,331	(290,059)	2,001,716
Changes in non-cash working capital balances related to operations	(1,721,266)	33,810	(2,078,265)	244,181
	(2,099,387)	1,085,141	(2,368,324)	2,245,897
<b>Investing activities</b>				
Additions to property, plant and equipment	(142,331)	(40,344)	(177,636)	(140,955)
Additions to intangible assets	(214,223)	(33,765)	(341,397)	(90,417)
Research and development tax credits	(13,272)	(6,885)	(26,544)	(25,875)
	(369,826)	(80,994)	(545,577)	(257,247)
<b>Net increase (decrease) in cash during the period</b>	(2,469,213)	1,004,147	(2,913,901)	1,988,650
<b>Cash – Beginning of period</b>	5,693,766	4,859,061	6,138,454	3,874,558
<b>Cash and restricted cash – End of period</b>	3,224,553	5,863,208	3,224,553	5,863,208
<b>Supplemental information</b>				
Income taxes paid during the period	42,383	85,953	76,322	208,156

# Immunotec Inc.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

April 30, 2009

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### 1 Interim financial information

The unaudited interim consolidated financial statements of Immunotec Inc (the “Company”), expressed in Canadian dollars, have been prepared by management. These interim consolidated statements have not been reviewed by the auditors of the Company. These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for interim financial statements. The significant accounting policies used in the preparation of these interim consolidated financial statements, except for “changes to accounting policies” stated below, are the same as those in the Company’s annual consolidated audited financial statements as at October 31, 2008. However, these interim consolidated financial statements do not reflect all of the information and disclosures required by GAAP for complete financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements as at October 31, 2008 which are available on [www.sedar.com](http://www.sedar.com).

#### Accounting policy

##### Changes to accounting policies

On November 1, 2008, the Company adopted the new recommendation of Section 1400, “General Standards of Financial Statement Presentation” to include requirements to assess and disclose an entity’s ability to continue as a going concern. The recommendation had no effect on the Company’s consolidated financial statements.

##### Future accounting policies

In January 2009, the CICA issued the following new Handbook sections:

- i) Section 1582, “Business Combinations”, which replaces Section 1581, “Business Combinations”. The Section establishes standards for the accounting for a business combination. It provides the Canadian equivalent to the IFRS standard, IFRS 3 (Revised), “Business Combinations”. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted. The Company is currently evaluating the impact of the adoption of this new Section on the consolidated financial statements.
- ii) Section 1601, “Consolidated Financial Statements”, and Section 1602, “Non-controlling Interests”, which together replace Section 1600, “Consolidated Financial Statements”. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), “Consolidated and Separate Financial Statements”. The Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. The Company is currently evaluating the impact of the adoption of these new Sections on the consolidated financial statements.

# Immunotec Inc.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

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### 2 Nature of activities

The Company is primarily engaged in the development of natural health products, dietary supplements, foods, vitamins and personal care products, some of which are manufactured on its behalf by third parties. The products are distributed through a network marketing system in Canada, the United States and since March 2009 in South Korea. The Company's products are sold in other countries through exclusive licensing agreements.

### 3 Restricted cash

These funds are restricted for a period of time, not yet determined, under operating regulatory requirements of a foreign jurisdiction.

### 4 Other assets

	2009	2008
	\$	\$
Investment	736,000	736,000
Research and development tax credits receivable	529,429	502,885
	<u>1,265,429</u>	<u>1,238,885</u>

### 5 Share capital

Authorized – in unlimited number

Common shares, voting, participating, with no par value and with dividend rights at the discretion of the Board of Directors

First preferred shares

Second preferred shares

The first and second preferred shares may be issued in one or more series. The Board of Directors is authorized to fix the number of shares in each series and determine the designation, rights, privileges, restrictions and conditions attached thereto.

# Immunotec Inc.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

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### 6 Other equity – Stock options

	<u>For the six-month period ended April 30, 2009</u>	
	Number of options	Weighted average exercise price \$
Issued and outstanding –Beginning of period	2,712,500	0.94
Granted	150,000	0.45
Forfeited	(100,000)	1.13
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Issued and outstanding –End of period	2,762,500	0.91

Issue date	<u>Options issued and in circulation</u>			<u>Options exercisable</u>		
	Number	Exercise price \$	Weighted average remaining life (years)	Number	Exercise price \$	Weighted average remaining life (years)
December 2006	1,582,500	1.13	2.64	1,054,991	1.13	2.64
November 2007	700,000	0.66	3.52	233,333	0.66	3.52
February 2008	30,000	0.80	3.79	10,000	0.80	3.79
July 2008	300,000	0.56	4.19	-	-	-
March 2009	150,000	0.45	4.90	-	-	-
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	2,762,500			1,298,324		

During the six-month period ended April 30, 2009, the Company granted 150,000 stock options to six members of its Board of Directors.

Each unit entitles the holder to acquire one common share of the Corporation at the exercise price specified when granted. Options granted vest over a three-year period, at a rate of one third per year commencing one year following the date of grant. The options expire five years after the grant date.

# Immunotec Inc.

## Notes to Interim Consolidated Financial Statements

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The estimated fair value of each option granted has been determined using the Black-Scholes option pricing model and the following weighted-average assumptions:

Risk-free interest rate	1.85%
Volatility rate	52.9%
Expected dividend yield	Nil
Expected life	5 years

The weighted-average fair value of the 150,000 options has been estimated at \$0.2121 per option. In accordance with Section 3870 of the CICA Handbook, the Company has recorded the expense for these options using the straight-line method, from the date it was granted to the date they will become vested or forfeited.

For the six-month period ended April 30, 2009, the Company has recorded the stock-base compensation expense of \$198,813 (2008 - \$351,600) to the « selling, general and administrative expenses » and credited to « other equity – stock options ».

## 7 Capital management

In the context of managing its capital, the objective of the Company is to maintain a capital structure that allows multiple options to finance its development and growth along with providing the shareholders with an acceptable return. The company defines the capital structure as cash and cash equivalents, restricted cash and shareholders' equity. The company's capital at April 30, 2009 and October 31, 2008 were as follows:

	2009	2008
	\$	\$
Cash and cash equivalents	2,463,783	6,138,454
Restricted cash	760,770	-
Shareholders' equity	17,491,285	18,111,213
	<u>20,715,838</u>	<u>24,249,667</u>

The Company's strategy consists of maintaining a flexible capital structure in order to respond to the economic conditions and adjusting accordingly. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issue, share repurchase, grant of stock options, the payment of dividends, the issue of debt or by undertaking other activities as deemed appropriate under the specific circumstances. The Company periodically monitors its capital structure.

The Company is not subject to externally imposed capital requirements. The Company's strategy with respect to capital management remains unchanged during the period ended April 30, 2009.

# Immunotec Inc.

## Notes to Interim Consolidated Financial Statements

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April 30, 2009

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### 8 Business and geographic segment

The Company's operations involve only one reportable business segment, a direct-selling/network marketing system, being a system in which distributors sell natural health products and dietary supplements directly to customers.

The net sales to external customers by geographic region are detailed as follow:

	For the three-month period ended April 30,		For the six-month period ended April 30,	
	2009 \$	2008 \$	2009 \$	2008 \$
Canada	5,475,075	4,558,458	10,423,581	9,125,945
United States	5,078,058	3,693,990	9,581,262	6,990,084
Korea	1,070,081	-	1,070,081	-
Export	1,068,472	927,898	1,720,360	1,708,732
	<u>12,691,686</u>	<u>9,180,346</u>	<u>22,795,284</u>	<u>17,824,761</u>

The property, plant and equipment, intangible assets and goodwill by geographic region are detailed as follow:

	2009 \$	2008 \$
Canada	8,979,845	9,237,925
Korea	123,165	-
	<u>9,103,010</u>	<u>9,237,925</u>

# Immunotec Inc.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

April 30, 2009

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### 9 Statement of earnings

The following items are included in selling, general and administrative expenses:

	For the three-month period ended April 30,		For the six-month period ended April 30,	
	2009 \$	2008 \$	2009 \$	2008 \$
Research and development*	230,574	217,375	448,047	432,534
Amortization of property, plant and equipment	132,829	207,045	265,237	398,117
Amortization of intangible assets	132,749	50,655	264,169	100,771
Interest income	(1,789)	(25,709)	(23,302)	(58,112)
Foreign exchange loss (gain)	6,991	(45,683)	14,475	(211,785)

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* Research and development expenses comprise:	\$	\$	\$	\$
Salaries	90,087	113,401	204,783	268,781
Expenses	179,532	125,355	321,354	210,260
	269,619	238,756	526,137	479,041
Less: Research and development tax credits	39,045	21,381	78,090	46,507
	230,574	217,375	448,047	432,534

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# Immunotec Inc.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

April 30, 2009

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### 10 Net (loss) earnings per share

	For the three-month period ended April 30,		For the six-month period ended April 30,	
	2009 \$	2008 \$	2009 \$	2008 \$
Net (loss) earnings for the period	(617,536)	434,049	(818,741)	745,110
Weighted average number of outstanding basic and diluted common shares	69,994,300	69,994,300	69,994,300	69,994,300
Basic and diluted (loss) earnings per share	(0.009)	0.006	(0.012)	0.011

### 11 Financial instruments

#### Classification of the financial instruments

Cash, cash equivalents and restricted cash are classified as “financial assets held for trading”. Accordingly, they are carried at fair value, with any gains or losses arising from the revaluation at each period-end being included in consolidated earnings.

Accounts receivable are classified as “loans and receivables”. Subsequent to their initial measurement at fair value, accounts receivable are measured at amortized cost using the effective interest rate method. Given the composition of the Company’s accounts receivable, the amortized cost generally approximates fair value because of their short terms to maturity.

The investment in common shares of a private company is classified as “available for sale”. Such shares were initially recorded at their fair value and subsequent are carried at cost. Available-for-sale financial assets are, however, subject to assessment for impairment and unrealized losses are recorded in the consolidated statement of earnings.

Accounts payable and accrued liabilities as well as customer deposits are classified as “other financial liabilities”. Subsequent to their measurement at fair value, these financial liabilities are measured at amortized cost using the effective interest rate method.

# **Immunotec Inc.**

## Notes to Interim Consolidated Financial Statements

(Unaudited)

**April 30, 2009**

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### **Fair value**

The Company has determined the fair value of its financial instruments based on estimates and assumptions.

The fair value of current financial assets and liabilities, which include cash, cash equivalents and restricted cash, accounts receivable, accounts payable and accrued liabilities and customer deposits, is comparable to their carrying values due to their relatively short terms to maturity.

The fair value of the investment in a private company was not reliably estimable as at April 30, 2009 since the investment relates to a private bio-based technology company in the development stage. The investee is committed to buy back, in May 2010, the shares owned by the Company at the higher of the fair value of the shares or US\$786,350.

### **Credit risk**

Financial instruments which potentially subject the Company to credit risk include cash, cash equivalents, restricted cash and accounts receivable, with respect to which management believes there was no significant concentration of credit risk as at April 30, 2009. The Company deals only with highly rated financial institutions and continually monitors its clients' credit and establishes its provision for doubtful accounts based on the credit risk applicable to each client.

### **Interest rate risk**

The Company is exposed to interest rate risk on its cash, cash equivalents and restricted cash and does not currently hold any financial instrument to mitigate this risk. Cash balances bear interest at floating rates, certificates of deposit and Treasury bills bear interest at a fixed rate. Management does not believe that the impact of the interest rate fluctuations on the current level of cash, cash equivalents and restricted cash will be significant and, therefore, has not provided a sensitivity analysis of the impact of fluctuations on net earnings and comprehensive income.

### **Currency risk**

The Company is exposed to currency risks as transactions with customers outside Canada are predominantly denominated in U.S. dollars. These risks are partially offset by purchases and operating expenses incurred in U.S. dollars.

Since March 2009, the new subsidiary in South Korea processes transactions in Korean won. The subsidiary bears the currency exchange risk.

Accordingly, exchange rate fluctuations do not directly affect the Company's results of operations. However, exchange rate fluctuations in this market may affect the ability of the Company's subsidiary to conduct its business operations profitably.

# Immunotec Inc.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

April 30, 2009

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As at April 30, 2009, the financial instruments are denominated in each currency.

	U.S. dollars	Korean won
Cash	467,965	35,606,252
Restricted cash	-	830,000,000
Accounts receivable	573,753	236,343,415
Accounts payable and accrued liabilities	1,199,828	839,786,671

As at April 30, 2009, a variation of 10% in the exchange rates compared to the actual period-end exchange rates would have resulted in the following impacts on each category of financial instruments held in US dollars and Korean won at the balance sheet date and net earnings:

	Depreciation U.S. dollars	Appreciation U.S. dollars	Depreciation Korean won	Appreciation Korean won
Cash	(55,828)	55,828	(3,326)	3,326
Restricted cash	-	-	(76,077)	76,077
Accounts receivable	(68,449)	68,449	(22,074)	22,074
Accounts payable and accrued liabilities	143,140	(143,140)	78,436	(78,436)
	18,863	(18,863)	(23,041)	23,041
Income tax (recovery)	5,829	(5,829)	(2,535)	2,535
Increase (decrease) on net earnings	13,034	(13,034)	(20,507)	20,507

## 12 Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.