

# **Immunotec Inc.**

Interim Consolidated Financial Statements  
(Unaudited)  
**January 31, 2009**

# Immunotec Inc.

## Interim Consolidated Balance Sheets (unaudited)

	As at January 31, 2009 \$	As at October 31, 2008 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	5,693,766	6,138,454
Accounts receivable	656,550	812,914
Income taxes receivable	46,710	118,692
Inventories	3,907,729	2,979,230
Prepaid expenses	1,006,880	548,333
Future income taxes	1,037,000	1,037,000
	<u>12,348,635</u>	<u>11,634,623</u>
<b>Property, plant and equipment</b>	6,131,525	6,210,788
<b>Intangible assets</b>	2,458,222	2,527,596
<b>Other assets (note 2)</b>	1,252,157	1,238,885
<b>Goodwill</b>	499,541	499,541
<b>Future income taxes</b>	648,844	551,967
	<u>23,338,924</u>	<u>22,663,400</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	4,964,504	4,243,914
Customer deposits	342,096	261,735
Income taxes payable	-	46,538
	<u>5,306,600</u>	<u>4,552,187</u>
<b>Shareholders' Equity</b>		
Share capital (note 3)	3,465,548	3,465,548
Other equity – Stock options (note 4)	1,537,201	1,414,885
Contributed surplus	11,332,143	11,332,143
Retained earnings	1,697,432	1,898,637
	<u>18,032,324</u>	<u>18,111,213</u>
	<u>23,338,924</u>	<u>22,663,400</u>

Approved by the Board of Directors



Richard Patte

Director



James A. Northrop

Director

# Immunotec Inc.

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

For the quarters ended January 31, 2009 and 2008

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	Number of common shares	Share capital \$	Other equity – Stock options \$	Contributed surplus \$	Retained earnings \$	Total \$
<b>Balance - October 31, 2007</b>	69,994,300	3,465,548	736,416	11,326,406	956,836	16,485,206
Net earnings	-	-	-	-	311,061	311,061
Stock-based compensation (note 4)	-	-	211,774	-	-	211,774
<b>Balance - January 31, 2008</b>	69,994,300	3,465,548	948,190	11,326,406	1,267,897	17,008,041
<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	-	-	-	-	(201,205)	(201,205)
Stock-based compensation (note 4)	-	-	122,316	-	-	122,316
<b>Balance - January 31, 2009</b>	69,994,300	3,465,548	1,537,201	11,332,143	1,697,432	18,032,324

# Immunotec Inc.

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

For the quarters ended January 31, 2009 and 2008

	2009 \$	2008 \$
<b>Net sales</b>	10,103,598	8,644,415
<b>Cost of sales</b>	1,773,528	1,639,607
	<u>8,330,070</u>	<u>7,004,808</u>
<b>Operating expenses</b>		
Sales incentives	4,489,928	3,542,210
Selling, general and administrative (note 7)	4,078,772	2,897,508
	<u>8,568,700</u>	<u>6,439,718</u>
<b>(Loss) Earnings before income taxes</b>	<u>(238,630)</u>	565,090
<b>(Recovery) Income tax provision</b>		
Current	59,452	67,667
Future	(96,877)	186,362
	<u>(37,425)</u>	<u>254,029</u>
<b>Net (loss) earnings and comprehensive income</b>	<u>(201,205)</u>	<u>311,061</u>
<b>Net (loss) earnings per share (note 8)</b>		
Basic and diluted	<u>(0.003)</u>	<u>0.004</u>
<b>Weighted average number of common shares outstanding during the quarter (note 8)</b>		
Basic and diluted	<u>69,994,300</u>	<u>69,994,300</u>

# Immunotec Inc.

## Interim Consolidated Statements of Cash Flows (Unaudited)

For the quarters ended January 31, 2009 and 2008

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	2009 \$	2008 \$
<b>Cash flows from</b>		
<b>Operating activities</b>		
Net (loss) earnings	(201,205)	311,061
Items not affecting cash		
Amortization of property, plant and equipment	132,408	134,821
Amortization of intangible assets	131,420	106,367
Future income taxes	(96,877)	186,362
Stock-based compensation	122,316	211,774
	<hr/>	<hr/>
	88,062	950,385
Changes in non-cash working capital balances related to operations	(356,999)	210,371
	<hr/>	<hr/>
	(268,937)	1,160,756
	<hr/>	<hr/>
<b>Investing activities</b>		
Additions to property, plant and equipment	(35,305)	(25,751)
Additions to intangible assets	(127,174)	(131,512)
Research and development tax credits	(13,272)	(18,990)
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	(175,751)	(176,253)
	<hr/>	<hr/>
<b>Net increase in cash during the period</b>	(444,688)	984,503
<b>Cash – Beginning of period</b>	6,138,454	3,874,558
	<hr/>	<hr/>
<b>Cash – End of period</b>	5,693,766	4,859,061
	<hr/>	<hr/>
<b>Supplemental information</b>		
Income taxes paid during the period	33,939	122,203

# Immunotec Inc.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

January 31, 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)

January 31, 2009

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### 2 Other Assets

	2009	2008
	\$	\$
Investment	736,000	736,000
Research and development tax credits receivable	516,157	502,885
	<u>1,252,157</u>	<u>1,238,885</u>

### 3 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)

January 31, 2009

### 4 Other equity – Stock options

	For the three month period ended January 31, 2009	
	Number of options	Weighted average exercise price \$
Issued and outstanding – Beginning of period	2,712,500	0.94
Granted	-	-
Forfeited	-	-
Issued and outstanding – End of period	2,712,500	0.94

Issue date	Options issued			Options exercisable		
	Number	Exercise price \$	Weighted average remaining life (years)	Number	Exercise price \$	Weighted average remaining life (years)
December 2006	1,582,500	1.13	2.88	1,054,991	1.13	2.88
November 2007	700,000	0.66	3.76	233,333	0.66	3.76
February 2008	30,000	0.80	4.04	-	-	-
July 2008	300,000	0.56	4.43	-	-	-
September 2008	100,000	1.13	4.59	25,000	1.13	4.59
	<u>2,712,500</u>			<u>1,313,324</u>		

For the first quarter ended January 31, 2009, the Company has recorded the stock-base compensation expense of \$122,316 (2008 - \$211,774) to Selling, general and administrative expenses and credited to Other equity – Stock options.

### 5 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 and shareholders' equity. The company's capital at January 31, 2009 and October 31, 2008 were as follows:



# Immunotec Inc.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

January 31, 2009

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	<b>2009</b>	<b>2008</b>
	\$	\$
Cash and cash equivalents	5,693,766	6,138,454
Shareholders' equity	18,032,324	18,111,213
	<u>23,726,090</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 January 31, 2009.

### 6 Business and geographic segment

The Company's operations involve only one reportable business segment; plant and equipment, intangible assets and goodwill are maintained in Canada.

Sales by final destination are as follows:

	<b>For the quarter ended January 31, 2009</b>	<b>For the quarter ended January 31, 2008</b>
	\$	\$
Canada	4,948,506	4,567,487
United States	4,503,204	3,296,094
Other countries	651,888	780,834
	<u>10,103,598</u>	<u>8,644,415</u>

# Immunotec Inc.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

January 31, 2009

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### 7 Statements of earnings

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

	<b>For the quarter ended January 31, 2009</b>	<b>For the quarter ended January 31, 2008</b>
	\$	\$
Research and development*	217,473	215,159
Amortization of property, plant and equipment	132,408	134,821
Amortization of intangible assets	131,420	106,367
Interest income	(21,513)	(32,403)
Foreign exchange loss (gain)	7,484	(166,102)

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\* Research and development expenses comprise:

	\$	\$
Salaries	114,696	155,380
Expenses	141,822	84,905
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	256,518	240,285
Less: Research and development tax credits	39,045	25,126
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	217,473	215,159

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# Immunotec Inc.

## Notes to Interim Consolidated Financial Statements

(Unaudited)

January 31, 2009

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### 8 Net (loss) earnings per share

	<b>For the quarter ended January 31, 2009 \$</b>	<b>For the quarter ended January 31, 2008 \$</b>
Net (loss) earnings for the period	(201,205)	311,061
Weighted average number of outstanding basic and diluted common shares	69,994,300	69,994,300
Basic and diluted (loss) earnings per share	(0.003)	0.004

### 9 Financial instruments

#### Classification of the financial instruments

Cash and cash equivalents 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.

#### Fair value

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

# **Immunotec Inc.**

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The fair value of current financial assets and liabilities, which include cash and cash equivalents, 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 January 31, 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 and cash equivalents and accounts receivable, with respect to which management believes there was no significant concentration of credit risk as at January 31, 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 and cash equivalents 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 and cash equivalents will be significant and, therefore, has not provided a sensitivity analysis of the impact of fluctuations on net earnings and comprehensive income.

# Immunotec Inc.

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### 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. As at January 31, 2009, the balances denominated in US dollars are \$809,991 for the cash and cash equivalents, \$373,425 for the accounts receivable and \$1,424,677 for the accounts payable and accrued liabilities.

As at January 31, 2009, a variation of 10% in the exchange rate, which the Company considers reasonable, compared to the actual period-end exchange rate, would have resulted in the following impacts on each category of financial instruments held in US dollars at the balance sheet date and net earnings:

	<b>Depreciation</b>	<b>Appreciation</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	99,345	(99,345)
Accounts receivable	45,801	(45,801)
Accounts payable and accrued liabilities	(174,737)	174,737
	<u>(29,591)</u>	<u>29,591</u>
Income Taxes	9,144	(9,144)
	<u>(20,447)</u>	<u>20,447</u>

### 10 Comparative figures

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