



Innovating Technologies for Life

# ITL Limited and Controlled Entities

ABN 16 088 212 088

## Appendix 4E

Preliminary final report

Full year ended 30 June 2005

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## Results for announcement to the market

\$A'000			
Revenues from ordinary activities	up	37%	to 24,215
Loss from ordinary activities after tax attributable to members	improved	93%	to (139)
Net loss for the period attributable to members	improved	93%	to (139)
<b>Dividends</b>	Amount per security		Franked amount per security
Interim 2004/05 dividend	Nil		Nil
Final 2004/25 dividend	Nil		Nil
Record date for determining entitlements to the dividend	N/A		

### Dividends paid or proposed

	2005 \$A	2004 \$A
Final dividend paid during the year	Nil	Nil
Interim dividend paid during the year	Nil	Nil
<b>Total dividends paid</b>	<b>Nil</b>	<b>Nil</b>

### Dividend reinvestment plan

The company has a dividend reinvestment plan. Full details of this plan are disclosed in the Prospectus lodged with ASIC and ASX on 17 September 2003.

### Earnings per security (EPS)

	2005	2004
Basic EPS	(\$0.001)	(\$0.027)
Diluted EPS	(\$0.001)	(\$0.025)
Weighted average number or ordinary shares outstanding during the period used in the calculation of:		
(a) Basic EPS	99,614,000	76,488,189
(b) Diluted EPS	103,112,367	79,765,904

### Net tangible asset (NTA) backing

	2005 \$A	2004 \$A
Net tangible asset backing per ordinary security	0.146	0.143

## **Review of Operations**

A significant restructure, which has laid the foundation for future growth, has been the feature of a difficult year for ITL.

The dual challenge of operating as a newly listed company and the acquisition of a fundamentally larger revenue - lower margin business with different drivers and complexities adversely affected our performance.

Our program of renewal started with a new CFO in July and the realignment of the company under a single CEO / Managing Director in October. A more efficient management structure was introduced which resulted in a number of changes to key staff. We simplified our corporate structure to reduce internal transactions, implemented a new financial management system with centralized databases and unified the company behind a new culture and single direction.

The first half results reflected the internal change and showed an operating loss before tax of just over \$2M (this included approx \$1.95M of redundancy and write offs). Revenue was \$11.1M with an EBITDA of \$551K.

While there were significant staff changes still occurring until the end of the 3rd quarter, the second half results show a strong turn around in performance with revenue \$13.1M, EBITDA \$2.2M and profit after tax \$1.5M. The company recorded a small operating loss for the full year of \$139K (after positive impact of tax provision of \$654K) with an increase in shareholder equity after asset revaluation of \$150K.

### **Procedure Kit Division (PKD)**

The customized operating room procedure packs business continues to grow strongly. This follows the world wide trend to use disposable drapes and gowns in operating theatres instead of reusable linen. This is being driven by the need to reduce cross infection and provide operating room efficiencies. Europe is following the US example with legislation to be effective 2006/7 which will mandate the use of disposable drapes and gowns in all operating room procedures.

At present a small percentage of the potential market in Australia has converted to packs. We envisage the demand for operating room procedure packs in Australian hospitals will increase substantially over the next few years. ITL is well positioned with a 30% share of the current market.

This division saw significant changes in personnel over the year with the original owners leaving in December. Under the new management team we have refocused the sales force, streamlined the operations, almost doubled the production output in the 4<sup>th</sup> quarter and reversed a slide in margins. Challenges still exist in this complex business however our focus on delivering a superior quality customized product sets ITL apart.

Revenue was \$14.5M for the year a 14% growth over the previous year. The second half revenue was \$7.5M compared to first half revenue of \$7M. This

## ITL Limited Appendix 4E 30 June 2005

included a seasonally low January due to factory shutdown and reduced hospital operations. This demonstrates a strong growth trend within the year.

### **Innovative Products Division (IPD)**

The IPD revenues are derived almost entirely in US\$. The products are based on proprietary Intellectual Property and are sold directly or included in products of ITL's customers into 35 countries. Revenues for the year showed a strong growth of 22% to \$9.5M. The rapidly depreciating US\$ and the appreciating AUD\$ have muted the continued growth in previous years but margins remain strong.

This year saw a focus on securing our revenues with the majority of our customers entering into new long term contracts (3 to 5 years). We also saw the new generation of products overtake the older products in both sales dollars and margin. This is a very healthy trend for ITL as it rewards our strong commitment to R&D and translates to the bottom line.

Our traditional market of blood banking is being extended to the laboratory and hospital markets with new safety products being developed under the TINA project, jointly funded by AusIndustry's R&D Start program. The future is looking promising for the new range of safety products with prototypes receiving very strong support in focus groups in the US, UK and Australia. We are aiming to introduce the first of these products into the marketplace towards the end of the 2006 financial year.

### **Entities over which control has been gained**

The entity did not gain or lose control over any entity during the year.

### **Associates and joint ventures**

The company did not have any associates or joint venture partners during the half-year.

This report is based on the consolidated financial report which has been audited.



William L Mobbs  
Director  
24 August 2005



Innovating Technologies for Life

**ITL Limited**

ABN 16 088 212 088

# **Financial Report 2005**

## DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2005.

### Directors

The names of directors in office at any time during or since the end of the year are:

#### *Non-executive directors:*

Mr Julian Gosse (Chairman) (Appointed 6 August 2003)

Mr Richard England (Appointed 29 October 2003)

#### *Executive directors:*

Mr William Mobbs (Managing Director)

Dr Jagmohanbir Dillon (Managing Director) (resigned 27 October 2004)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### Company Secretary

The following person held the position of Company Secretary at the end of the financial year:

Ms Susan Williams – Bachelor of Arts (Accounting), Master of Business Administration (International Business), Graduate Diploma of Corporate Governance, Certified Practising Accountant. Ms Williams has worked for ITL Limited since July 2004 as the Chief Financial Officer. She has over 20 years experience in accounting and financial management roles and has held company secretarial positions since 2001. Ms Williams was appointed Company Secretary on 30 November 2004.

### Principal Activities

The principal activities of ITL during the financial year were:

- Development and commercialisation of intellectual property relating to innovative medical devices
- Manufacture, distribution and sale of innovative medical devices
- Manufacture, distribution and sale of procedure packs.

### Change in Principal Activity

There were no significant changes in the nature of the economic entity's principal activities during the financial year.

### Operating Results

The consolidated loss and extraordinary items of the economic entity after providing for income tax and eliminating outside equity interests amounted to (\$139,043) loss. This included non-recurring expenses of \$915,831 redundancy payments and \$964,036 write off capitalised development costs.

### Dividends Paid or Recommended

No dividends were paid or declared for the period to 30 June 2005.

### Review of Operations

A review of operations of the company is detailed in the earlier sections of this report.

### Financial Position

The net assets of the economic entity have increased by \$150,362 from 30 June 2004 to \$25,111,916 in 2005. This increase has largely resulted from the near break-even result and appreciation of the group's land and building with a net movement in the group's revaluation reserve of \$557,071.

The economic entity's improved financial performance along with the strengthening of the Australian dollar to the Malaysian Ringgit has enabled the group to reduce its interest-bearing liabilities, which are all based in Malaysia, by \$1,122,924. The group's working capital, being current assets less current liabilities, has decreased by \$225,385 from \$10,402,732 to \$10,177,347. The working capital ratio has improved from 2.8 in 2004 to 3.3 in 2005.

The directors believe the group is in a strong and stable financial position to expand and grow its current operations.

## Directors' Report (Cont'd)

### Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the parent entity during the financial year.

### After Balance Date Events

No significant events occurred after balance date that would materially affect the financial statements and other information presented.

### Future Developments

To further improve the economic entity's profit and maximise shareholder wealth the company will continue to review potential new products and acquisitions if and when appropriate. The company has an option to acquire Heal Marketing Sdn Bhd, with which it currently has a strategic alliance to distribute its procedure and monitoring kits to Malaysian hospitals.

These developments, together with the current strategy of continuous improvement and an adherence to quality control in existing markets, are expected to assist in the achievement of the economic entity's long-term goals and development of new business opportunities.

### Environmental Issues

The Group's Malaysian manufacturing facility gained certification to the Environmental Management System ISO 14001:2004 and has also successfully upgraded its Quality Management System to ISO 13485:2003. The economic entity is subject to the environmental laws of the countries in which they operate. The management of environmental risks and compliance with environmental laws is regarded as a key issue. The company monitors compliance with existing and new environmental regulations as they come into force.

The directors are not aware of any significant breaches of environmental regulations during the financial year.

### Information on Directors

<b>Julian Gosse</b>	-	Chairman (Non-executive) Age 55
Experience and Directorships held in other listed entities	-	Board member since 2003, appointed Chairman 1 January 2005. Mr Gosse has extensive experience in banking and broking both in Australia and overseas having worked in London for Rowe and Pitman, in the United States for Janney Montgomery and Scott and in Canada for Wood Gundy. He is currently the Executive Director of Advanced Management Planning Limited. Mr Gosse is currently a Director of Mariner Wealth Management Limited (since 1999 and Clime Capital Limited (since 2003) and a Director and Company Secretary of Wilson Leaders Limited (since 2003) and Wilson Investment Fund Limited (since 2003).
Interest in Shares and Options	-	Shares: 300,000 Options: Nil
Special Responsibilities	-	Member of Audit and Risk Management Committee

## Directors' Report (Cont'd)

<b>Richard England</b>	-	Director (Non-executive) Age 55
Qualifications	-	Fellow of the Institute of Chartered Accountants in Australia, Member of Australian Institute of Company Directors
Experience and Directorships held in other listed entities	-	Board member since 2003, was Chairman until 1 January 2005. Mr England is a professional company director and Chartered Accountant. He is Chairman of Gropep Limited (since 1998) and Ruralco Holdings Limited (since 2002) and is a Director of Choiseul Investments Limited (since 2004), Healthscope Limited (since 1996), St George Bank Limited (since 2004) and Allianz Australia Limited Group (since 2005). During the past three years Mr England has served as a director with ABB Grain Limited (2003-2004) and Peter Lehmann Wines Limited (1998 to 2003).
Interest in Shares and Options	-	Shares: 412,000 Options: Nil
Special Responsibilities	-	Chairman of Audit and Risk Management Committee
<b>William Mobbs</b>	-	Managing Director Age 46
Qualifications	-	Master of Business Administration, Bachelor of Science, Member of the Australian Institute of Company Directors
Experience and Directorships held in other listed entities	-	Board member since 1999, joint Managing Director to 27 October 2003 then sole Managing Director. Mr Mobbs is a co-founder of the ITL Group and brings over 10 years experience in the medical and healthcare industry. Mr Mobbs has invented new concepts for a range of innovative medical products.
Interest in Shares and Options	-	Shares: 22,335,000 Options: 250,000 EXOP Tranche 1 options, 250,000 EXOP Tranche 2 options

## Remuneration Report

This report details the nature and amount of remuneration for each director of ITL Limited, and for the executives receiving the highest remuneration.

### Remuneration Policy

The remuneration policy of ITL Limited has been designed to align Managing Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's financial results. The board of ITL Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and Managing Director to run and manage the economic entity, as well as create goal congruence between the Managing Director, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the economic entity is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the board after seeking professional advice from independent external consultants. All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives. The board reviews executive packages annually by reference to the economic entity's performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the criteria of the economic entity's profits and shareholder's value. All bonuses and incentives must be linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

## Directors' Report (Cont'd)

Executives are also entitled to participate in the Executive Share Option Plan.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practise, duties and accountability. Independent external advice is sought when required. The maximum aggregated amount of fees that can be paid to non-executive directors are not linked to performance of the economic entity. However, to align director's interests with shareholder interests, the director's are encouraged to hold shares in the company. The Managing Director is able to participate in the Executive Share Option Plan.

### Performance Based Remuneration

As part of each executive director and executives remuneration package there is a performance based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between directors/executives with that of the business and shareholders. The KPIs are set annually, with certain level of consultation with directors/executives to ensure buy-in. The measures are specifically tailored to the areas each director/executive is involved in and has a level of control over. The KPIs target areas the board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budget figures for the group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the board in the light of the desired and actual outcomes, and their efficiency is assured in relation to the group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, ITL Limited bases the assessment on audited figures, however, where the KPI involves comparison of the group or a division within the group to the market, independent reports are obtained.

### Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. There have been two methods applied in achieving this aim, the first being a performance based bonus based on key performance indicators, the second being the issue of options to executives to encourage the alignment of personal and shareholder interests.

The following table shows the gross revenue and profits for the last two years for the listed entity, as well as the share price at the end of the respective financial years. Analysis of the actual figures shows an improvement in results. Unfortunately the improvement in the company's performance over the year has not been reflected in the company's share price. The board is of the opinion that the improved results can be attributed in part to the previously described remuneration policy.

	2005	2004
<b>Revenue</b>	\$24.2m	\$17.6m
<b>Net Profit/(loss)</b>	(\$0.1m)	(\$2.0m)
<b>Share Price at year-end</b>	\$0.175	\$0.35
<b>Dividends Paid</b>	Nil	Nil

The directors felt the share price was not as stable as was expected during the year, reaching a low of \$0.125 and a high of \$0.41. The board has decided to increase and maintain promotional activity amongst analysts so as to increase investor awareness of the company and to stabilise the company's share price in line with consistent and stable financial position.

## Directors' Report (Cont'd)

### Details of Remuneration for Year Ended 30 June 2005

The remuneration for each director and each five executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

	Salary, Fees and Allowances	Super- annuation Contribution	Cash Bonus	Non-cash Benefits	Options	Total
	\$	\$	\$	\$	\$	\$
<b>Directors</b>						
Mr J J Gosse	72,220	6,500	-	-	-	78,720
Mr R A F England	68,436	6,159	-	-	-	74,595
Mr W L Mobbs	280,000	22,500	-	-	-	302,500
Dr J Dillon*	195,556	747,777	-	13,100	-	956,433
<b>Total</b>	<b>616,212</b>	<b>782,936</b>	<b>-</b>	<b>13,100</b>	<b>-</b>	<b>1,412,248</b>

\* Dr Dillon terminated on 27 October 2004. Remuneration includes \$138,740 termination benefit and accrued leave and \$711,260 termination rolled over to superannuation.

### Specified Executives

	Salary, Fees and Allowances	Super- annuation Contribution	Cash Bonus	Non-cash Benefits	Options	Total
	\$	\$	\$	\$	\$	\$
Ms S Williams	139,162	11,558	30,000	-	4,335	185,055
Ms S Norrell (USA)	196,873	-	59,852	5,464	4,335	266,524
Mr D Laffar (UK)	207,510	-	-	3,357	4,335	215,202
Mr F Kubik (MAL)	134,701	-	10,000	-	4,335	149,037
Mr A Kashmirian	119,266	10,734	13,000	-	4,335	147,335
<b>Total</b>	<b>797,512</b>	<b>22,292</b>	<b>112,852</b>	<b>8,821</b>	<b>21,675</b>	<b>963,153</b>

### Performance Income as a Proportion of Total Remuneration

Executive directors and executives are paid performance based bonuses on proportions of their salary. These bonuses were paid based on the performance of the individual executives based on achievement of specific goals that have been given higher level of importance in relation to the future growth and profitability of the economic entity. The board has reviewed the performance bonuses to gauge their effectiveness against achievement of the set goals, and have adjusted future years' incentives to be based on both individual performance and company performance.

### Options Issued as Part of Remuneration for the Year Ended 30 June 2005

Options were issued to executives as part of their remuneration. The options were not issued based on performance criteria, but were issued to all of executives of ITL Limited to increase goal congruence between executives and shareholders.

	Number of Options Granted	Options Granted as Part of Remuneration	Total Remuneration Represented by Options	Options Exercised	Options Lapsed	Total
		\$	%	\$	(\$)	\$
<b>Executives</b>						
Ms S Williams	500,000	4,335	2%	-	-	4,335
Ms S Norrell	500,000	4,335	2%	-	-	4,335
Mr D Laffar	500,000	4,335	2%	-	-	4,335
Mr F Kubik	500,000	4,335	3%	-	-	4,335
Mr A Kashmirian	500,000	4,335	3%	-	-	4,335
<b>Total</b>	<b>2,500,000</b>	<b>21,675</b>		<b>-</b>	<b>-</b>	<b>21,675</b>

## Directors' Report (Cont'd)

### Employment Contracts of Directors and Senior Executives

The employment conditions of the managing director, Mr Mobbs, the executive director and specified executives are formalised in contracts of employment. Other than the managing director, all executives are permanent employees of ITL Limited. Mr Mobbs is employed under a fixed four-year contract, which commenced on 27 October 2003 and expires on 27 October 2007.

The employment contracts stipulate a three-month resignation period. The company may terminate an employee contract without cause by providing three months written notice or making payment in lieu of notice, based on the individual's annual fixed salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time. Any options not exercised before or on the date of termination will lapse.

### Directors' Meetings

During the financial year 22 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit & Risk Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Julian Gosse	17	17	5	5
Richard England	17	17	5	4
William Mobbs	17	15	-	-
Jagmohanbir Dillon	9	9	-	-

### Indemnifying Officers or Auditor

During or since the end of the financial year the company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

All directors have executed with the company a Deed of Access and Indemnity. This requires that the company indemnify each Director, maintain an insurance policy in favour of each Director and grant access to the records of the company.

The company has entered into Deeds of Access and Indemnity with Dr Jagmohanbir Dillon, Mr William Mobbs, Mr Julian Gosse, Mr Richard England and Ms Susan Williams, Ms Stephanie Norrell, Mr David Laffar and Mr Frank Kubik.

The company has paid premiums to insure all of the Directors and Officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the company or its subsidiaries, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was \$87,447 for all Directors and Officers.

### Options

At the date of this report, the unissued ordinary shares of ITL Limited under option are as follows:

Grant Date	Share Price at Date of Issue	Date of Expiry	Exercise Price	Number Under Option
23 October 2003	\$0.50 (IPO)	42 days after release of 30 June 2005 Appendix 4E	\$0.60	600,000
23 October 2003	\$0.50 (IPO)	42 days after release of 30 June 2005 Appendix 4E	\$0.65	250,000
23 October 2003	\$0.50 (IPO)	42 days after release of 30 June 2006 Appendix 4E	\$0.70	250,000
28 February 2005	\$0.14	1 March 2006 to 31 August 2006	\$0.20	3,550,000

During the year ended 30 June 2005 the 3,550,000 options for ordinary shares were issued to senior executives.

## Directors' Report (Cont'd)

No options were exercised during the year ended 30 June 2005.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of any other body corporate.

### Proceedings on Behalf of Company

No person has applied for leave to Court, to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year other than as disclosed in Note 29.

### Non-audit Services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2005:

	\$
Taxation services	226,876
Other	<u>34,925</u>
Total non-audit services	<u><u>261,801</u></u>

### Auditor's Independence Declaration

The independence declaration by the auditor under section 307C of the Corporations Act 2001 has been received and is reproduced immediately following the Directors' Report.

### Rounding of Amounts

The company is an entity to which ASIC Class Order 98/100 applies. The company has not chosen to round to the nearest thousand dollars at this time.

Signed in accordance with a resolution of the Board of Directors.



Julian Gosse  
Chairman

Dated this 24<sup>th</sup> day of August 2005



**WALTERTURNBULL**  
*your extra asset*

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION  
307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS  
OF ITL LIMITED AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the year ended  
30 June 2005 there have been:

- i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

A B Papps  
Registered Company Auditor  
Walter Turnbull

Canberra, ACT  
22 August, 2005

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**ITL Limited and Controlled Entities**  
**Statement of Financial Performance**  
for the year ended 30 June 2005

	Note	Consolidated		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
Revenues from ordinary activities	2	24,215,161	17,628,711	479,433	406,818
Cost of Sales	3	(13,627,450)	(8,624,340)	-	-
Employee benefits expense		(6,710,938)	(4,404,238)	(1,266,045)	(590,883)
Depreciation and amortisation expense	3	(1,170,558)	(974,596)	(96,146)	(41,854)
Accrued Litigation settlement – US		-	(1,056,000)	-	-
Borrowing costs expense	3	(107,341)	(141,247)	(1,114)	(1,853)
Consultants		(215,964)	(218,697)	(53,759)	(10,920)
Legal expenses – US		(324,085)	(1,519,370)	-	-
Office expenses		(562,749)	(364,305)	(88,420)	(60,258)
Travel and accommodation		(487,172)	(550,580)	(103,010)	(63,993)
Communication and marketing		(526,172)	(438,725)	(85,516)	(38,806)
Accounting and audit		(393,416)	(217,302)	(344,823)	(174,366)
Write off of capitalised product development	3 (c)	(964,036)	-	(126,632)	-
Capitalisation of product development		888,264	-	-	-
Other expenses from ordinary activities		(806,658)	(1,124,928)	(206,484)	(196,857)
Profit/(Loss) from ordinary activities before income tax expense		(793,114)	(2,005,617)	(1,892,516)	(772,972)
Income tax benefit/(expense) relating to ordinary activities	6	654,071	(26,884)	203,728	322,488
<b>Net Profit/(Loss) attributable to ITL Limited's Shareholders</b>		<b>(139,043)</b>	<b>(2,032,501)</b>	<b>(1,688,788)</b>	<b>(450,484)</b>
<b>Non-owner transaction changes in equity</b>					
Net exchange difference on translation of financial statements of self-sustaining foreign operations.		(267,666)	(72,302)	-	-
Increase in asset revaluation reserve		557,071	-	557,071	-
Cost associated with share issues		-	(2,111,892)	-	(2,111,892)
Total revenues or expenses attributable to ITL Limited's shareholders recognised directly in equity		289,405	(2,184,194)	557,071	(2,111,892)
<b>Total changes in equity from non-owner related transactions attributable to ITL Limited's shareholders</b>		<b>150,362</b>	<b>(4,216,695)</b>	<b>(1,131,717)</b>	<b>(2,562,376)</b>
<b>Earning per share – basic (\$)</b>	<b>8</b>	<b>(0.001)</b>	<b>(0.027)</b>	<b>-</b>	<b>-</b>
<b>Earning per share – diluted (\$)</b>	<b>8</b>	<b>(0.001)</b>	<b>(0.025)</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

**ITL Limited and Controlled Entities**  
**Statement of Financial Position**  
as at year ended 30 June 2005

	Note	Consolidated		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash assets	9	4,379,322	7,365,499	2,050,088	6,402,424
Receivables	10	4,237,887	3,455,956	79,408	29,569
Inventories	11	5,163,387	4,810,534	-	-
Prepayments	12	261,100	371,067	134,143	46,652
Other financial assets	13	610,379	294,484	267,527	-
<b>TOTAL CURRENT ASSETS</b>		<b>14,652,075</b>	<b>16,297,540</b>	<b>2,531,166</b>	<b>6,478,645</b>
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	14	2,598,077	2,217,346	936,775	262,880
Product development, tools	15	4,459,091	4,521,167	-	55,366
Intangible assets	16	8,164,348	8,614,714	-	-
Deferred tax assets	17	392,428	431,312	392,428	431,312
Investments accounted for using the equity method	18	-	-	9,770,154	5,000,412
Intercompany Loans	19	-	-	10,826,958	13,618,025
<b>TOTAL NON-CURRENT ASSETS</b>		<b>15,613,944</b>	<b>15,784,539</b>	<b>21,926,315</b>	<b>19,367,995</b>
<b>TOTAL ASSETS</b>		<b>30,266,019</b>	<b>32,082,079</b>	<b>24,457,481</b>	<b>25,846,640</b>
<b>CURRENT LIABILITIES</b>					
Payables	20	4,594,378	4,546,189	684,879	218,300
Interest-bearing liabilities	21	484,521	1,321,026	-	-
Tax liabilities (asset)	22	(969,758)	(313,672)	(978,172)	107,031
Provisions	23	365,587	341,265	66,663	32,550
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,474,728</b>	<b>5,894,808</b>	<b>(226,630)</b>	<b>357,881</b>
<b>NON-CURRENT LIABILITIES</b>					
Interest-bearing liabilities	21	431,184	717,603	-	-
Tax liabilities	22	248,191	508,114	247,909	-
Other liabilities		-	-	79,160	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>679,375</b>	<b>1,225,717</b>	<b>327,069</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>5,154,103</b>	<b>7,120,525</b>	<b>100,439</b>	<b>357,881</b>
<b>TOTAL NET ASSETS</b>		<b>25,111,916</b>	<b>24,961,554</b>	<b>24,357,042</b>	<b>25,488,759</b>
<b>EQUITY</b>					
Contributed Equity	24	27,700,200	27,700,200	27,700,200	27,700,200
Reserves	25	(120,971)	(410,376)	557,071	-
Retained Profits	26	(2,467,313)	(2,328,270)	(3,900,229)	(2,211,441)
<b>TOTAL EQUITY</b>		<b>25,111,916</b>	<b>24,961,554</b>	<b>24,357,042</b>	<b>25,488,759</b>

The accompanying notes form part of these financial statements.

**ITL Limited and Controlled Entities**  
**Statement of Cash Flows**  
for the year ended 30 June 2005

	Note	Consolidated		Parent Entity	
		2005	2004	2005	2004
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from grants and customers		25,228,687	19,488,236	10,174	70,950
Payments to suppliers		(15,671,945)	(11,425,577)	-	-
Payment of expenses and wages		(8,940,855)	(8,531,422)	(1,795,798)	(896,175)
Interest received		220,588	336,342	205,754	318,831
Borrowing costs		(107,341)	(389,707)	(1,114)	(51,706)
Income tax paid		(223,054)	(1,789,282)	(145,627)	5,016
Net cash provided by/(used in) operating activities	<b>28(a)</b>	506,080	(2,311,410)	(1,726,611)	(553,084)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds on sale of assets		35,648	96,601	-	-
Payment for product development and tools		(1,516,456)	(1,316,150)	(73,578)	(55,855)
Payment for property, plant and equipment		(434,129)	(356,849)	(210,658)	(60,585)
Payment for Patent and IP		(74,820)	(198,638)	-	-
Payment for investments in unrelated entities		(175,000)	-	(175,000)	-
Deposit on purchase of assets		(140,895)	(294,484)	(92,527)	-
Payment for subsidiary, net of cash acquired	<b>28(b)</b>	(63,681)	(6,811,263)	-	-
Net cash (used in) investing activities		(2,369,333)	(8,880,783)	(551,763)	(116,440)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares		-	21,600,000	-	21,600,000
Payment for equity raising cost		-	(2,111,892)	-	(2,111,892)
Payments of borrowings		(478,298)	(1,750,609)	-	(19,707)
Loan to Group		-	-	(2,073,963)	(12,403,935)
Net cash provided by/(used in) financing activities		(478,298)	17,737,499	(2,073,963)	7,064,466
Net increase/(decrease) in cash held		(2,341,551)	6,545,306	(4,352,336)	6,394,942
Cash at beginning of year		6,558,167	12,861	6,402,424	7,482
<b>Cash at end of year</b>		<b>4,216,616</b>	<b>6,558,167</b>	<b>2,050,088</b>	<b>6,402,424</b>

The accompanying notes form part of these financial statements

## Notes to the financial statements

### Note 1: Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the economic entity of ITL Limited and controlled entities, and ITL Limited as an individual parent entity. ITL Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### (a) Principles of Consolidation

A controlled entity is any entity controlled by ITL Limited. Control exists where ITL Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with ITL Limited to achieve the objectives of ITL Limited. A list of controlled entities is contained in Note 30 to the financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

#### (b) Income Tax

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

ITL Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation System from 1 July 2003. ITL Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

#### (c) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of actual cost, where possible costs are updated to most recent purchase price.

## Notes to the financial statements

### Note 1: Statement of significant accounting policies (cont'd)

#### (d) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

##### Property

Leasehold land and buildings are measured at cost or fair value basis, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. It is the policy of the economic entity to have an independent valuation every three years, with annual appraisals being made by the directors.

The revaluation of leasehold land and buildings has not taken account of the potential capital gains tax on assets acquired after the introduction of capital gains tax. Valuations have been realised in the financial report when the effect is considered material.

##### Plant and equipment

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

##### Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding leasehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to depreciation. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold land (Malaysia only)	1%
Buildings	2 - 2.5%
Land & buildings	2.5%
Furniture & fittings	10 - 20%
Leasehold improvements	20%
Computer & Office Equipment	10 - 33.33%
Computer software	33.33%
Motor vehicles	15%
Product design and procedure packs	5%
Product tools, production, QA and Lab equipment	10%

#### (e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability. Lease incentive payments received reduce the lease liability.

## Notes to the financial statements

### Note 1: Statement of significant accounting policies (cont'd)

**(f) Investments in Associates**

Shares in listed companies held as current assets are valued by directors at those shares' market value at each balance date. The gains or losses, whether realised or unrealised, are included in profit from ordinary activities before income tax.

**(g) Investments in Associates**

The economic entity has no associates, all entities are 100% owned.

**(h) Research and Development Expenditure**

Product Research and Development costs are charged to profit from ordinary activities before income tax as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs.

Deferred research and development expenditure is amortised on a straight line basis over the period during which the related benefits are expected to be realised, once commercial production has commenced.

The directors review the carrying value of Capitalised Research and Development annually to ensure the appropriateness of the asset value and its ability to contribute to the economic performance of the economic entity.

The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

**(i) Business Development Expenditure**

Business Development costs are charged to profit from ordinary activities before income tax as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs.

Business development expenditure is amortised on a straight line basis over the period during which the related benefits are expected to be realised, once commercial production has commenced.

The directors review the carrying value of capitalised Business Development annually to ensure the appropriateness of the asset value and its ability to contribute to the economic performance of the economic entity.

The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

**(j) Intangibles**

**Goodwill**

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Both purchased goodwill and goodwill on consolidation are amortised on a straight line basis over the period of 20 years. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

**Patents and Trademarks**

Patents and Trademarks are valued in the Financial Statements at cost of acquisition and are amortised over the lesser of the period in which their benefits are expected to be realised or the residual life of the patent or trademark.

## Notes to the financial statements

### Note 1: Statement of significant accounting policies (cont'd)

#### (k) Foreign Currency Transactions and Balances

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

The assets and liabilities of the overseas controlled entities, which are self-sustaining, are translated at year-end rates and operating results are translated at the rates average ruling rate for the financial year. Gains and losses arising on translation are taken directly to the foreign currency translation reserve.

Exchange differences arising on hedged transactions undertaken to hedge foreign currency exposures, other than those for the purchase and sale of goods and services, are brought to account in the profit from ordinary activities when the exchange rates change. Any material gain or loss arising at the time of entering into hedge transactions is deferred and brought to account in the profit from ordinary activities over the lives of the hedges.

Costs or gains arising at the time of entering hedged transactions for the purchase and sale of goods and services, and exchange differences that occur up to the date of purchase or sale, are deferred and included in the measurement of the purchase or sale. Gains and losses from speculative foreign currency transactions are brought to account in the profit from ordinary activities when the exchange rate changes.

#### (l) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

#### (m) Cash

For the purpose of the statement of cash flows, cash includes:

- cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts;
- investments in money market instruments with less than 14 days to maturity.

#### (n) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the rights to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

## Notes to the financial statements

### Note 1: Statement of significant accounting policies (cont'd)

#### (o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are included in the statement of cash flows on a cost basis. The GST components of cash flows arising from investing and financing activities which are recoverable from the Australian taxation Office are classified as operating cash flows.

#### (p) Comparatives

Where required by Accounting standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

#### (q) Impact of Adoption of Australian Equivalents to International Financial Reporting Standards

The company is preparing and managing the transition to Australian equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the economic entity's and the parent entity's financial statements for the year ending 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

The economic entity's management, with the assistance of external consultants, has assessed the significance of the expected changes and is preparing for their implementation. An AIFRS committee is overseeing and managing the economic entity's transition to AIFRS. The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable.

The directors are of the opinion that the key material differences in the economic entity's accounting policies on conversion to AIFRS and the financial effect of these differences, where known, are as shown as follows. Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by standard-setters to the current AIFRS or interpretation of the AIFRS requirements changes from the continuing work of the economic entity's AIFRS committee.

##### (i) Impairment of Assets

Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher of fair value less costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset or at the 'cash generating unit' level. A 'cash generating unit' is determined as the smallest group of assets that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets. The current policy is to determine the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the asset's use and subsequent disposal. It is likely that this change in accounting policy will lead to impairments being recognised more often.

The economic entity has reassessed its impairment testing policy and tested all assets for impairment as at 1 July 2005. The impact of the change is estimated to be \$nil.

##### (ii) Business Combinations

Goodwill would not be permitted to be amortised but instead is subject to impairment testing on an annual basis or upon the occurrence of triggers which may indicate a potential impairment. Currently, the group amortises goodwill on a straight line basis over the period of 20 years. The Group has elected not to restate past business combinations retrospectively. Accordingly, the impacts of the adoption of AIFRS on the financial report associated with past business combinations will be limited to the recognition of additional deferred tax assets and deferred tax liabilities and cessation of goodwill amortisation if so arise.

## Notes to the financial statements

### Note 1: Statement of significant accounting policies (cont'd)

#### (q) Impact of Adoption of Australian Equivalents to International Financial Reporting Standards (cont'd)

##### (ii) Business Combinations (cont'd)

Goodwill is capitalised to the statement of financial position and subjected to an annual impairment test. Amortisation of goodwill is prohibited. Current accounting policy of the entity is to amortise goodwill on a straight-line basis over a period of 20 years. Impairment testing as at 1 July 2005 confirmed no impairment of the \$8,322,919 goodwill less accumulated amortisation of \$1,069,409 as disclosed in the economic entity's financial statements at 30 June 2005. The previously amortised goodwill of \$416,142 will, therefore, be reversed resulting in a corresponding increase in profit amounting to \$416,142 for the year ended 30 June 2005.

##### (iii) Share based Payments

The company would recognise the fair value of options granted to employees as remuneration as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share-based payment costs are not recognised under AGAAP.

##### (iv) Income Tax

Currently, the economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112: Income Taxes, the entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

The recognition of a deferred tax asset/liability at 1 July 2004 of approximately \$47,219 (parent: \$(9,914)) in relation to timing differences identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

(v) Accounting for Government Grants and Disclosure of Government Assistance The Research and Development grant received from the Federal government should be recognised when there is reasonable assurance that:

- (a) the entity will comply with conditions attached to them and
- (b) the grants will be received

Thus, government grants are recognised as income on a systematic and rational basis over the periods necessary to match them with the related costs. Under AGAAP, ITL recognised the grant upon receipt.

##### (vi) Research and Development Expenditure

Under AASB 138: Intangible Assets, costs associated with the research phase of the development of an asset must be expensed. This will result in a change in the current accounting policy, which capitalises research costs to the statement of financial position where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover these deferred costs.

On transition, the financial effect of this impact is assessed as nil, as no research costs were capitalised at 1 July 2004 or 30 June 2005.

##### (vii) Derivative Financial Instruments

ITL Limited does not currently recognise derivative financial instruments in the financial statements. AASB 139: Financial Instruments: Recognition and Measurement requires a change to the method of accounting for derivative financial instruments and hedging activities so that they are recorded in the financial statements. AASB 1 provides an election whereby the requirements of AASB 139 dealing with financial instruments are not required to be applied to the first AIFRS comparative year and the first time adoption of this standard will apply from 1 July 2005. The economic entity has decided that it will adopt this election and will not restate comparative information for the financial year ending 30 June 2005.

On transition to AIFRS the estimated cumulative financial effect of the reliably known differences on the parent and economic entity's reported net profit and equity as at 30 June 2005 is summarised below. As noted above, these amounts represent management's best estimates, and could differ from actuals.

## Notes to the financial statements

### Note 1: Statement of significant accounting policies (cont'd)

#### (q) Impact of Adoption of Australian Equivalents to International Financial Reporting Standards (cont'd)

##### *Reconciliation of Net Profit*

	Consolidated		ITL Limited	
	30 June 2005	1 July 2004	30 June 2005	1 July 2004
Net profit/(loss) as reported under AGAAP	(139,043)	(2,032,501)	(1,688,788)	(450,484)
Key transitional adjustments;				
Amortisation of goodwill	416,142	-	-	-
Share-based payment expense	(30,778)	-	(30,778)	-
Adjustment to income tax expense	-	47,219	-	(9,914)
Net profit under AIFRS	246,321	(1,985,282)	(1,719,566)	(460,398)

##### *Reconciliation of Equity*

	Consolidated		ITL Limited	
	30 June 2005	1 July 2004	30 June 2005	1 July 2004
Total equity under AGAAP	25,111,916	24,961,554	24,357,042	25,488,759
Retrospective adjustments to equity 1 July 2004:				
Write-back of goodwill amortisation	416,142	-	-	-
Deferred tax assets	-	47,219	-	(9,914)
Total equity under AIFRS	25,528,058	25,008,773	24,357,042	25,478,845

## Notes to the financial statements

	Consolidated 2005 \$	Consolidated 2004 \$	ITL 2005 \$	ITL 2004 \$
<b>Note 2: Revenue</b>				
Operating activities:				
Revenue from grants	-	115,040	-	-
Sale of goods	23,812,772	17,126,598	-	-
Interest received	231,159	359,829	192,838	342,318
Rental revenue	10,000	6,796	10,000	63,000
Dividends received	-	-	-	-
Other	161,230	20,448	276,595	1,500
<b>Total revenue</b>	<b>24,215,161</b>	<b>17,628,711</b>	<b>479,433</b>	<b>406,818</b>
<b>Note 3: Profit from Ordinary Activities</b>				
Profit from ordinary activities before income tax has been determined after:				
<b>(a) Expenses</b>				
Cost of sales	13,433,488	8,578,964	-	-
Write down of inventories	193,962	45,376	-	-
	<b>13,627,450</b>	<b>8,624,340</b>	-	-
Borrowing costs	<b>107,341</b>	<b>141,247</b>	<b>1,114</b>	<b>1,853</b>
Depreciation of non-current assets:				
Land	2,511	2,656	-	-
Buildings	25,340	25,219	5,460	5,460
Furniture & fittings	51,545	66,660	14,127	31,196
Computer & office equipment	210,383	168,964	18,246	2,821
Leasehold improvements	17,109	13,433	-	-
Computer software	118,018	59,262	56,001	1,888
Motor vehicle	6,736	27,603	-	-
Product tools	303,288	270,147	-	-
Production, QA and lab equipment	23,484	20,546	-	-
Total depreciation	758,414	654,490	93,834	41,365
Amortisation of non-current assets:				
- Product design	68,093	61,680	2,312	489
- Procedure packs	21,959	41,554	-	-
- Goodwill	416,142	330,714	-	-
- Patents and trademarks	146,990	138,076	-	-
Total amortisation	653,184	572,024	2,312	489
Total Depreciation and Amortisation	1,411,598	1,226,514	96,146	41,854
Less: Depreciation included in COGS	(241,040)	(251,918)	-	-
Depreciation and amortisation expense	<b>1,170,558</b>	<b>974,596</b>	<b>96,146</b>	<b>41,854</b>
Foreign currency translation (gains)/losses	207,548	(53,013)	23,401	-
<b>(b) Revenue and Net Gains</b>				
Net gain/(loss) on disposal of non-current assets:				
- property, plant and equipment	9,546	(5,555)	-	-
<b>(c) Significant Revenues and Expenses</b>				
- Write off of capitalised expenditure	<b>964,036</b>	-	<b>126,632</b>	-

## Notes to the financial statements

### Note 4: Directors and Officers Remuneration

(a) Names and positions held of parent entity directors and specified executives in office at any time during the financial year are:

#### Parent Entity Directors

Mr Julian Gosse	Chairman – Non-Executive	Chairman from 1 January 2005
Mr Richard England	Director – Non-Executive	Chairman until 1 January 2005
Mr William Mobbs	Director – Executive	
Dr Jagmohanbir Dillon	Director – Executive	Resigned on 27 October 2004

#### Specified Executives

Ms Susan Williams	Company Secretary Chief Financial Officer
Ms Stephanie Norrell	Managing Director – ITL North America Inc. Vice President Global Blood Banking
Mr David Laffar	Managing Director – ITL Europe Limited
Mr Frank Kubik	Managing Director – ITL Asia Pacific Sdn Bhd Vice President Quality Assurance & Regulatory Affairs
Mr Avtar Kashamirian	Vice President Research & Development

#### (b) Parent Entity Directors' Remuneration

2005	Mr J Gosse	Mr R England	Mr W Mobbs	Dr J Dillon	Total
<b>Primary</b>					
Salary, Fees & Allowances	72,220	68,436	280,000	56,816	477,472
Superannuation Contribution	6,500	6,159	22,500	36,517	71,676
Cash Bonus	-	-	-	-	-
Non-cash benefits	-	-	-	13,100	13,100
<b>Termination</b>					
Cash	-	-	-	138,740	138,740
Superannuation	-	-	-	711,260	711,260
<b>Post Employment</b>					
Superannuation	-	-	-	-	-
<b>Equity</b>					
Options	-	-	-	-	-
<b>Total</b>	<b>78,720</b>	<b>74,595</b>	<b>302,500</b>	<b>956,433</b>	<b>1,412,248</b>
<b>2004</b>					
<b>Primary</b>					
Salary, Fees & Allowances	50,150	60,667	187,266	147,112	445,195
Superannuation Contribution	5,100	6,000	15,000	36,754	62,854
Cash Bonus	-	-	-	-	-
Non-cash benefits	-	-	1,075	19,475	20,550
Consultancy fee	-	-	46,667	50,333	97,000
Related Party	-	-	28,000	16,333	44,333
<b>Post Employment</b>					
Superannuation	-	-	-	-	-
<b>Equity</b>					
Options	-	-	-	-	-
<b>Total</b>	<b>55,250</b>	<b>66,667</b>	<b>278,008</b>	<b>270,007</b>	<b>669,932</b>

The service and performance criteria set to determine remuneration are included per Note (h).

## Notes to the financial statements

### Note 4: Directors and Officers Remuneration (cont'd)

#### (c) Specified Executives' Remuneration

2005	Ms S Williams	Ms S Norrell	Mr D Laffar	Mr F Kubik	Mr A Kashamirian	Total
<b>Primary</b>						
Salary, Fees & Allowances	139,162	196,873	207,510	134,701	119,266	797,512
Superannuation Contribution	11,558	-	-	-	10,734	22,292
Cash Bonus	30,000	59,852	-	10,000	13,000	112,852
Non-cash benefits	-	5,464	3,357	-	-	8,821
<b>Post Employment</b>						
Superannuation	-	-	-	-	-	-
<b>Equity</b>						
Options	4,335	4,335	4,335	4,335	4,335	21,675
<b>Total</b>	<b>185,055</b>	<b>266,524</b>	<b>215,202</b>	<b>149,037</b>	<b>147,335</b>	<b>963,153</b>
<b>2004</b>						
	Mr T McKinnon	Ms S Norrell	Mr D Laffar	Mr F Kubik	Mr A Kashamirian	Total
<b>Primary</b>						
Salary, Fees & Allowances	129,020	202,776	220,889	70,648	107,372	730,715
Superannuation Contribution	15,000	-	-	-	9,630	24,630
Cash Bonus	42,000	28,134	-	50,641	-	120,775
Non-cash benefits	-	2,764	-	11,941	-	14,705
<b>Post Employment</b>						
Superannuation	-	-	-	-	-	-
<b>Equity</b>						
Options	-	-	-	-	-	-
<b>Total</b>	<b>186,020</b>	<b>230,910</b>	<b>223,663</b>	<b>133,230</b>	<b>117,002</b>	<b>890,825</b>

The service and performance criteria set to determine remuneration are included per Note (h).

#### (d) Remuneration Options

##### Options Granted as Remuneration

No options were granted to directors during the year.

Options were granted free of charge to Executives as follows:

	Ms S Williams	Ms S Norrell	Mr D Laffar	Mr F Kubik	Mr A Kashmirian	Total
Vested Number	-	-	-	-	-	-
Number of Options Granted	500,000	500,000	500,000	500,000	500,000	2,500,000
Grant Date	28/2/05	28/2/05	28/2/05	28/2/05	28/2/05	
Value per Option at Grant Date	\$ 0.009	\$ 0.009	\$ 0.009	\$ 0.009	\$ 0.009	
Exercise Price	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	
First Exercise Date	1/3/06	1/3/06	1/3/06	1/3/06	1/3/06	
Last Exercise Date	31/8/06	31/8/06	31/8/06	31/8/06	31/8/06	

All options granted as part of remuneration vest on 1 March 2006, with the exercise period being 1 March 2006 to 31 August 2006, after which the options will expire. Under the company's share trading policy employees are not permitted to trade in ITL shares between 30 June and 24 hours after the lodgement with the Australian Stock Exchange of the Appendix 4E. Options were valued using the Black-Scholes method.

## Notes to the financial statements

### Note 4: Directors and Officers Remuneration (cont'd)

#### (e) Shares Issued on Exercise of Remuneration Options

No shares were issued on exercise of Remuneration Options.

#### (f) Options and Rights Holdings

##### Number of Options Held by Directors and Specified Executives

Parent Entity Directors	Mr J Gosse	Mr R England	Mr W Mobbs	Dr J Dillon	Total
Balance 1/7/04	-	-	500,000	500,000	1,000,000
Granted as Remuneration	-	-	-	-	-
Options Exercised	-	-	-	-	-
Lapsed	-	-	-	(500,000)	(500,000)
Balance 30/6/05	-	-	500,000	-	500,000
Total Vested	-	-	-	-	-
Total Exercisable 30/6/05	-	-	-	-	-
Total Un-exercisable 30/6/05	-	-	500,000	-	500,000

  

	Ms S Williams	Ms S Norrell	Mr D Laffar	Mr F Kubik	Mr A Kashmirian	Total
Balance 1/7/04	-	500,000	500,000	500,000	250,000	1,750,000
Granted as Remuneration	500,000	500,000	500,000	500,000	500,000	2,500,000
Options Exercised	-	-	-	-	-	-
Lapsed	-	300,000	300,000	300,000	250,000	1,150,000
Balance 30/6/05	500,000	700,000	700,000	700,000	500,000	3,100,000
Total Vested	-	-	-	-	-	-
Total Exercisable 30/6/05	-	-	-	-	-	-
Total Un-exercisable 30/6/05	500,000	700,000	700,000	700,000	500,000	3,100,000

#### (g) Shareholdings

##### Number of Shares held by Parent Entity Directors and Specified Executives

Shares held in ITL Ltd (number)	Balance 1/7/04	Received as Remuner'n	Options Exercised	Net Change other*	Balance 30/6/05
<b>Parent Entity Directors</b>					
Mr J Gosse	20,000	-	-	280,000	300,000
Mr R England	248,000	-	-	164,000	412,000
Mr W Mobbs	22,055,000	-	-	280,000	22,335,000
Dr J Dillon	17,955,000	-	-	-	17,955,000
Dr J Dillon resigned on 27 October 2004					
<b>Specified Executives</b>					
Ms S Williams	-	-	-	40,000	40,000
Stephanie Norrell	694,000	-	-	-	694,000
David Laffar	680,000	-	-	-	680,000
Frank Kubik	800,000	-	-	-	800,000
Avtar Kashamirian	443,090	-	-	-	443,090
<b>Total</b>	<b>42,895,090</b>	<b>-</b>	<b>-</b>	<b>764,000</b>	<b>43,659,090</b>

\* Net change other refers to shares purchased or sold during the financial year.

## Notes to the financial statements

### Note 4: Directors and Officers Remuneration (cont'd)

#### (h) Remuneration Practices

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The Managing Director is employed under a fixed four-year contract, which commenced on 27 October 2003 and expires on 27 October 2007. The remuneration structure for Executive Officers, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and Specified Executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement directors and Specified Executives are paid employee benefit entitlements accrued to date of retirement. The company may terminate the contracts without cause by providing 3 months written notice or making payment in lieu of notice based on the individual's annual salary component together with a redundancy payment of between 0% and 50% of the individual's fixed salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time. Any options not exercised before or on the date of termination will lapse.

The group seeks to emphasise payment for results through providing various cash bonus reward schemes, specifically, the incorporation of incentive payments based on the key performance indicators such as sales targets and return on equity. Bonuses included per Note 7(a) and 7(b) are based on these targets. The objective of the reward schemes is to both reinforce the short and long-term goals of the company and to provide a common interest between management and shareholders. The bonuses were granted to Specified Executives on 28 June 2005. There has been no alteration to the terms of the bonuses paid since grant date.

<b>Consolidated</b>	<b>Consolidated</b>	<b>ITL</b>	<b>ITL</b>
<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

#### Note 5: Auditors' Remuneration

Remuneration of the auditor of the parent entity for:

— auditing or reviewing the financial report	91,500	90,000	91,500	90,000
— taxation services	226,876	21,766	224,436	21,766
— other services	34,925	7,000	33,425	7,000

Remuneration of other auditors of subsidiaries for:

— auditing or reviewing the financial report of subsidiaries	5,020	4,073	-	-
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## Notes to the financial statements

	Consolidated 2005 \$	Consolidated 2004 \$	ITL 2005 \$	ITL 2004 \$
<b>Note 6: Income Tax Expense</b>				
(a) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax payable on profit from ordinary activities before income tax at 30%				
- economic entity	(237,933)	(601,685)	-	-
- parent entity	-	-	(567,755)	(231,891)
- other members of the income tax consolidated group net of intercompany transactions	-	-	356,415	(369,794)
	<u>(237,933)</u>	<u>(601,685)</u>	<u>(211,340)</u>	<u>(601,685)</u>
Add:				
Tax effect of:				
- non-deductible depreciation and amortisation	1,199	-	1,199	-
- other non-allowable items	3,276	51,743	3,276	-
- tax in prior years	(84,924)	-	(84,924)	-
	<u>(318,382)</u>	<u>(549,942)</u>	<u>(291,789)</u>	<u>(601,685)</u>
Less:				
Tax effect of:				
- Other allowable items	(335,689)	(146,870)	(135,126)	(90,597)
Adjustment for tax variations for individual entities in the group	-	723,696	-	-
Income tax expense attributable to profit from ordinary activities before income tax	<u>(654,071)</u>	<u>26,884</u>	<u>(426,915)</u>	<u>(322,488)</u>
Allocation of income tax expense to wholly-owned subsidiaries under the tax sharing agreement	-	-	223,187	369,794
Income tax attributable to parent entity	<u><b>(654,071)</b></u>	<u><b>26,884</b></u>	<u><b>(203,728)</b></u>	<u><b>(322,488)</b></u>
<b>Note 7: Dividends</b>				
No dividends were declared or paid during the year end 30 June 2005.				
	-	-	-	-
<b>Note 8: Earnings per Share</b>				
Earnings per share is calculated based on the operating profit after income tax				
	<u>(139,043)</u>	<u>(2,032,501)</u>	-	-
Weighted average number of ordinary shares used in the calculation of basic EPS	99,614,000	76,488,189	-	-
Weighted average number of options outstanding	3,498,367	3,277,715	-	-
Weighted average number of ordinary shares used in the calculation of dilutive EPS	<u>103,112,367</u>	<u>79,765,904</u>	-	-

## Notes to the financial statements

	Consolidated 2005 \$	Consolidated 2004 \$	ITL 2005 \$	ITL 2004 \$
<b>Note 9: Cash Assets</b>				
Cash on hand	3,233	5,211	500	500
Cash at bank	4,376,089	7,360,288	2,049,588	6,401,924
	<b>4,379,322</b>	<b>7,365,499</b>	<b>2,050,088</b>	<b>6,402,424</b>

### Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash	4,379,322	7,365,499	2,050,088	6,402,424
Bank overdrafts	(162,706)	(807,332)	-	-
	<b>4,216,616</b>	<b>6,558,167</b>	<b>2,050,088</b>	<b>6,402,424</b>

### Note 10: Receivables

#### Current

Trade debtors	4,092,609	3,194,402	2,738	-
Loans - Directors	-	20,623	-	-
Loans - Employees	-	46,021	-	-
Other debtors	174,193	-	-	-
Accrued revenue	119,240	132,237	10,571	23,487
GST and other tax	(148,155)	62,673	66,099	6,082
	<b>4,237,887</b>	<b>3,455,956</b>	<b>79,408</b>	<b>29,569</b>

### Note 11: Inventories

#### At cost

Raw materials and stores	2,001,323	3,758,728	-	-
Work in progress	108,471	50,186	-	-
Finished goods	3,053,593	1,001,620	-	-
	<b>5,163,387</b>	<b>4,810,534</b>	-	-

### Note 12: Prepayments

#### Current

Prepayments	<b>261,100</b>	<b>371,067</b>	<b>134,143</b>	<b>46,652</b>
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### Note 13: Other Financial Assets

#### Current

Deposit on purchase of assets	435,379	294,484	92,527	-
Shares in listed corporations, at cost	175,000	-	175,000	-
	<b>610,379</b>	<b>294,484</b>	<b>267,527</b>	-

## Notes to the financial statements

	Consolidated 2005 \$	Consolidated 2004 \$	ITL 2005 \$	ITL 2004 \$
<b>Note 14: Property, Plant and Equipment</b>				
<b>Land and Buildings</b>				
Leasehold Land at cost	231,095	318,273	-	63,000
Less: accumulated amortisation	(10,514)	(8,876)	-	-
Total Leasehold Land	<u>220,581</u>	<u>309,397</u>	-	<u>63,000</u>
Buildings at cost	971,066	1,218,791	-	155,275
Less: accumulated depreciation	(76,631)	(87,878)	-	(24,886)
Total Buildings	<u>894,435</u>	<u>1,130,913</u>	-	<u>130,389</u>
Land and Buildings at valuation	745,000	-	745,000	-
Less: accumulated depreciation	-	-	-	-
Total Land and Buildings at valuation	<u>745,000</u>	<u>-</u>	<u>745,000</u>	<u>-</u>
<b>Total Land and Buildings</b>	<u>1,860,016</u>	<u>1,440,310</u>	<u>745,000</u>	<u>193,389</u>
<b>Plant and Equipment</b>				
Furniture & Fittings at cost	479,093	428,410	183,518	177,295
Less : accumulated depreciation	(315,860)	(268,047)	(177,237)	(163,110)
Total Furniture & Fittings	<u>163,233</u>	<u>160,363</u>	<u>6,281</u>	<u>14,185</u>
Computer & office equipment at cost	854,522	729,580	67,659	24,182
Less : accumulated depreciation	(584,412)	(378,612)	(21,067)	(2,821)
Total computer & office equipment	<u>270,110</u>	<u>350,968</u>	<u>46,592</u>	<u>21,361</u>
Leasehold Improvements at cost	101,003	71,297	-	-
Less : accumulated depreciation	(50,164)	(33,055)	-	-
Total Leasehold Improvements	<u>50,839</u>	<u>38,242</u>	<u>-</u>	<u>-</u>
Computer software at cost	480,008	313,149	196,791	35,833
Less : accumulated depreciation	(236,813)	(128,852)	(57,889)	(1,888)
Total Computer software at cost	<u>243,195</u>	<u>184,297</u>	<u>138,902</u>	<u>33,945</u>
Motor Vehicles at cost	18,058	93,180	-	-
Less : accumulated depreciation	(7,374)	(50,014)	-	-
Total Motor Vehicle	<u>10,684</u>	<u>43,166</u>	<u>-</u>	<u>-</u>
<b>Total Plant and Equipment</b>	<u>738,061</u>	<u>777,036</u>	<u>191,775</u>	<u>69,491</u>
<b>Total Property, Plant and Equipment</b>	<u>2,598,077</u>	<u>2,217,346</u>	<u>936,775</u>	<u>262,880</u>

## Notes to the financial statements

### Note 14: Property, Plant and Equipment (cont'd)

#### (a) Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Balance at the beginning of year	Additions	Revaluation increment / (decrement)	Foreign exchange gain/(loss)	Depreciation expense	Disposal	Carrying amount at the end of year
	\$	\$		\$	\$	\$	\$
<b>Economic Entity</b>							
Leasehold Land	309,397	-	(63,000)	(23,305)	(2,511)	-	220,581
Buildings	1,130,913	15,778	(124,929)	(101,987)	(25,340)	-	894,435
Land & buildings	-	-	745,000	-	-	-	745,000
Furniture & Fittings	160,363	64,701	-	(9,985)	(51,545)	(301)	163,233
Computer & office Equipment	350,968	135,575	-	(5,451)	(210,383)	(599)	270,110
Leasehold Improvements	38,242	29,706	-	-	(17,109)	-	50,839
Computer software	184,297	188,369	-	(8,973)	(118,018)	(2,480)	243,195
Motor Vehicle	43,166	-	-	(3,362)	(6,736)	(22,384)	10,684
<b>Total</b>	<b>2,217,346</b>	<b>434,129</b>	<b>557,071</b>	<b>(153,063)</b>	<b>(431,642)</b>	<b>(25,764)</b>	<b>2,598,077</b>
<b>Parent Entity</b>							
Leasehold Land	63,000	-	(63,000)	-	-	-	-
Buildings	130,389	-	(124,929)	-	(5,460)	-	-
Land & buildings	-	-	745,000	-	-	-	745,000
Furniture & Fittings	14,185	6,223	-	-	(14,127)	-	6,281
Computer & office Equipment	21,361	43,477	-	-	(18,246)	-	46,592
Computer software	33,945	160,958	-	-	(56,001)	-	138,902
<b>Total</b>	<b>262,880</b>	<b>210,658</b>	<b>557,071</b>	<b>-</b>	<b>(93,834)</b>	<b>-</b>	<b>936,775</b>

Consolidated 2005	Consolidated 2004	ITL 2005	ITL 2004
\$	\$	\$	\$

#### Note 15: Product development, tools

##### Product Design :

At cost	2,794,086	1,760,120	-	55,855
Less : accumulated depreciation	(436,608)	(374,048)	-	(489)
<b>Total Product Design</b>	<b>2,357,478</b>	<b>1,386,072</b>	<b>-</b>	<b>55,366</b>

##### Procedure Packs :

At cost	502	860,163	-	-
Less : accumulated depreciation	(8)	(131,419)	-	-
<b>Total Procedure Packs</b>	<b>494</b>	<b>728,744</b>	<b>-</b>	<b>-</b>

##### **Total Product Development**

2,357,972	2,114,816	-	55,366
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##### Product Tools :

At cost	3,329,177	3,365,456	-	-
Less : accumulated depreciation	(1,400,158)	(1,145,294)	-	-
<b>Total Product tools</b>	<b>1,929,019</b>	<b>2,220,162</b>	<b>-</b>	<b>-</b>

##### Production, QA, Lab Equipment :

At cost	246,875	243,201	-	-
Less : accumulated depreciation	(74,775)	(57,012)	-	-
<b>Total Production, QA and Lab Equipment</b>	<b>172,100</b>	<b>186,189</b>	<b>-</b>	<b>-</b>

##### **Total Product Tools and Production**

2,101,119	2,406,351	-	-
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##### **Total Product Development and tools**

<b>4,459,091</b>	<b>4,521,167</b>	<b>-</b>	<b>55,366</b>
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## Notes to the financial statements

	Consolidated 2005 \$	Consolidated 2004 \$	ITL 2005 \$	ITL 2004 \$
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### Note 15: Product development and tools (Cont'd)

#### (a) Movements in carrying amounts

Movement in the carrying amounts for each class of Product development, tools and production between the beginning and the end of the current financial year:

	Balance at the beginning of year \$	Additions \$	Foreign exchange gain/(loss) \$	Depreciation /amortisation Expense \$	Disposal \$	Carrying amount at the end of year \$
<b>Economic Entity</b>						
Product design *	1,386,072	1,201,368	-	(68,093)	(161,869)	<b>2,357,478</b>
Procedure packs	728,744	66,634	-	(21,959)	(772,925)	<b>494</b>
Product tools	2,220,162	221,359	(205,740)	(303,288)	(3,474)	<b>1,929,019</b>
Production, QA and lab	186,189	27,095	(17,329)	(23,484)	(371)	<b>172,100</b>
Total	<u>4,521,167</u>	<u>1,516,456</u>	<u>(223,069)</u>	<u>(416,824)</u>	<u>(938,639)</u>	<b>4,459,091</b>
<b>Parent Entity</b>						
Product design	55,366	73,578	-	(2,312)	(126,632)	-
Total	<u>55,366</u>	<u>73,578</u>	<u>-</u>	<u>(2,312)</u>	<u>(126,632)</u>	<u>-</u>

\* Product design additions are reduced by the amounts of grants provided by the Federal government for the Transfusion Infusion Needle Assembly (TINA), in accordance with the Australian Accounting Standards.

	Consolidated 2005 \$	Consolidated 2004 \$	ITL 2005 \$	ITL 2004 \$
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### Note 16: Intangible Assets

Patents, trademarks and licenses at cost	1,896,753	1,848,937	-	-
Less : accumulated amortisation	(985,915)	(840,194)	-	-
	<u>910,838</u>	<u>1,008,743</u>	<u>-</u>	<u>-</u>
Goodwill at cost	8,322,919	8,259,238	-	-
Less : accumulated amortisation	(1,069,409)	(653,267)	-	-
	<u>7,253,510</u>	<u>7,605,971</u>	<u>-</u>	<u>-</u>
	<b><u>8,164,348</u></b>	<b><u>8,614,714</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

#### (a) Movements in carrying amounts

Movement in the carrying amounts for each class of intangible assets between the beginning and the end of the current financial year:

	Balance at the beginning of year \$	Additions \$	Amortisation Expense \$	Disposal \$	Carrying amount at the end of year \$
<b>Economic Entity</b>					
Patents, trademarks and licenses	1,008,743	74,820	(146,990)	(25,735)	<b>910,838</b>
Goodwill	7,605,971	63,681	(416,142)	-	<b>7,253,510</b>
Total	<u>8,614,714</u>	<u>138,501</u>	<u>(563,132)</u>	<u>(25,735)</u>	<b><u>8,164,348</u></b>

## Notes to the financial statements

	Consolidated 2005 \$	Consolidated 2004 \$	ITL 2005 \$	ITL 2004 \$
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### Note 17: Deferred Tax Assets

Future income tax benefit	392,428	431,312	392,428	431,312
	<b>392,428</b>	<b>431,312</b>	<b>392,428</b>	<b>431,312</b>

(a) The Deferred tax assets are made up of the following estimated tax benefits:

- timing differences	392,428	431,312	392,428	431,312
	<b>392,428</b>	<b>431,312</b>	<b>392,428</b>	<b>431,312</b>

### Note 18: Investments accounted for using the equity method

ITL Needleguard Corporation Pty Ltd	-	-	5,000,000	5,000,000
ITL Corporation Pty Ltd	-	-	200	200
Noble House Group Pty Ltd	-	-	200	200
Cedrica Group Limited	-	-	4	4
ITL Europe Ltd	-	-	5	5
ITL Design and Manufacturing Pty Ltd	-	-	1	1
ITL Healthcare Pty Ltd	-	-	2	2
ITL Asia Pacific Sdn Bhd	-	-	4,769,742	-
	-	-	<b>9,770,154</b>	<b>5,000,412</b>

### Note 19: Intercompany loans

ITL Needleguard Corporation Pty Ltd	-	-	-	805,661
ITL Corporation Pty Ltd	-	-	2,471,097	3,086,006
Noble House Group Pty Ltd	-	-	(44,904)	3,652
Cedrica Group Limited	-	-	-	646,000
ITL Asia Pacific Sdn Bhd	-	-	8,632	789,906
ITL Design and Manufacturing Pty Ltd	-	-	-	6,003
ITL Healthcare Pty Ltd	-	-	8,392,133	8,280,797
	-	-	<b>10,826,958</b>	<b>13,618,025</b>

### Note 20: Payables

#### *Unsecured liabilities*

Trade creditors	1,996,586	2,263,506	396,609	8,896
Sundry creditors and accrued expenses	2,597,792	2,282,683	288,270	209,404
	<b>4,594,378</b>	<b>4,546,189</b>	<b>684,879</b>	<b>218,300</b>

## Notes to the financial statements

	Consolidated 2005 \$	Consolidated 2004 \$	ITL 2005 \$	ITL 2004 \$
<b>Note 21: Interest Bearing Liabilities</b>				
<b>Current</b>				
<i>Secured liabilities</i>				
Bank overdrafts	162,706	807,332	-	-
Bank loans	143,603	259,937	-	-
Hire purchase liability	178,212	253,757	-	-
	<b>484,521</b>	<b>1,321,026</b>	<b>-</b>	<b>-</b>
<b>Non Current</b>				
<i>Secured liabilities</i>				
Bank loans	335,423	432,570	-	-
Hire purchase liability	95,761	285,033	-	-
	<b>431,184</b>	<b>717,603</b>	<b>-</b>	<b>-</b>
(a) Total current and non-current secured liabilities:				
Bank overdraft	162,706	807,332	-	-
Bank loan	479,026	692,507	-	-
Hire purchase liability	273,973	538,790	-	-
	<b>915,705</b>	<b>2,038,629</b>	<b>-</b>	<b>-</b>
(b) The carrying amounts of non-current assets pledged as security are:				
First mortgage				
Leasehold land and buildings	1,123,172	1,513,767	-	-
Hire purchase assets (net liability)	648,592	935,089	-	-
Other assets pledged as security	2,291	-	-	-
Total assets pledged as security	1,774,055	2,448,856	-	-
(c) The bank overdraft, mortgage loans and other finance facilities of an overseas subsidiary are secured by registered 1 <sup>st</sup> to 7 <sup>th</sup> legal charge over 4 units 11/2 storey detached factories of the subsidiary, 1 <sup>st</sup> to 9 <sup>th</sup> debenture charge over both current & future fixed and floating assets of the overseas subsidiary and a Director's guarantee.				
(d) Hire purchase liability of subsidiary companies is secured by the hire purchase assets.				
<b>Note 22: Tax Liabilities (asset)</b>				
<b>Current</b>				
Income tax	<b>(969,758)</b>	<b>(313,672)</b>	<b>(978,172)</b>	<b>107,031</b>
<b>Non Current</b>				
Provision for Deferred Income Tax	<b>248,191</b>	<b>508,114</b>	<b>247,909</b>	<b>-</b>
Total Tax Liabilities	<b>(721,527)</b>	<b>194,442</b>	<b>(730,263)</b>	<b>107,031</b>
<b>Note 23: Provisions</b>				
<b>Current</b>				
Employee entitlements	<b>365,587</b>	<b>341,265</b>	<b>66,663</b>	<b>32,550</b>
Number of Employees (Full-time equivalents)	231	193	8	18

## Notes to the financial statements

	Consolidated 2005 \$	Consolidated 2004 \$	ITL 2005 \$	ITL 2004 \$
<b>Note 24: Contributed Equity</b>				
Issued Ordinary Shares:				
99,614,000 ordinary shares (2003: 6,050,200)	<b>27,700,200</b>	<b>27,700,200</b>	<b>27,700,200</b>	<b>27,700,200</b>
Shares issued during the period:				
At beginning of period	27,700,200	6,050,200	27,700,200	6,050,200
50,000 shares issued on 1 July 2003 - note 28(b)	-	50,000	-	50,000
600,000 shares issued on 29 October 2003	-	600,000	-	600,000
21,000,000 shares issued on 29 October 2003	-	21,000,000	-	21,000,000
	<b>27,700,200</b>	<b>27,700,200</b>	<b>27,700,200</b>	<b>27,700,200</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
At beginning of period	99,614,000	30,000,000	99,614,000	30,000,000
50,000 shares issued on 1 July 2003 - note 28(b)	-	50,000	-	50,000
Conversion of 30,000,000 shares to 200 on 27 August 2003	-	(29,999,800)	-	(29,999,800)
Shares issued as consideration for the purchase for the purchase by ITL Limited of the shares of ITL Needleguard Corporation Pty Limited on 27 August 2003	-	4,250,000	-	4,250,000
Conversion of shares on 3 September 2003	-	47,539,800	-	47,539,800
Issue of shares to sophisticated investors on 9 September 2003	-	5,774,000	-	5,774,000
42,000,000 shares issued on 29 October 2003	-	42,000,000	-	42,000,000
	<b>99,614,000</b>	<b>99,614,000</b>	<b>99,614,000</b>	<b>99,614,000</b>

On 1 July 2003 the company issued 50,000 ordinary shares at \$1 each to complete the purchase of the assets and undertakings of CWP Design Pty Limited. These shares rank for dividend paid after 1 July 2003.

On 29 October 2003 the company issued 600,000 ordinary shares at \$1 each to shareholders a company's private capital raising. These shares rank for dividend paid after 29 October 2003.

On 29 October 2003 the company converted the issued shares in the company to 50,913,800 ordinary shares of \$0.50 cents each. These shares rank for dividend paid after 29 October 2003.

On 29 October 2003 in conjunction with the company's listing on the Australian Stock Exchange (ASX) 42,000,000 ordinary shares of \$0.50 cents each were issued to shareholders. These shares rank for dividend paid after 29 October 2003.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on show of hands.

## Notes to the financial statements

	Consolidated 2005 \$	Consolidated 2004 \$	ITL 2005 \$	ITL 2004 \$
<b>Note 25: Reserves</b>				
Foreign Currency translation (Note 25 (a))	(678,042)	(410,376)	-	-
Asset revaluation reserve (Note 25 (b))	557,071	-	557,071	-
	<b>(120,971)</b>	<b>(410,376)</b>	<b>557,071</b>	<b>-</b>

### (a) Foreign Currency Translation Reserve Movements During the Year

Opening Balance	(410,376)	(338,074)	-	-
Adjustment arising from the translation of foreign controlled entities' financial statements	(267,666)	(72,302)	-	-
Closing balance	<b>(678,042)</b>	<b>(410,376)</b>	<b>-</b>	<b>-</b>

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary

### (b) Asset Revaluation Reserve

Opening Balance	-	-	-	-
Revaluation increment on land and buildings	557,071	-	557,071	-
Closing balance	<b>557,071</b>	<b>-</b>	<b>557,071</b>	<b>-</b>

The asset revaluation reserve records revaluations of non-current assets

### Note 26: Retained Profits

Retained profits at the beginning of the financial year	(2,328,270)	1,816,123	(2,211,441)	350,935
Equity raising cost	-	(2,111,892)	-	(2,111,892)
Net profit/(loss) attributable to the members of the parent entity	(139,043)	(2,032,501)	(1,688,788)	(450,484)
Dividends provided for or paid (see note 6)	-	-	-	-
Retained Profits at the end of the financial year	<b>(2,467,313)</b>	<b>(2,328,270)</b>	<b>(3,900,229)</b>	<b>(2,211,441)</b>

### Note 27: Capital and Leasing Commitments

#### (a) Hire purchase payables

Payable				
- not later than 1 year	218,404	257,585	-	-
- later than 1 year but not later than 5 years	119,704	409,264	-	-
- later than 5 years	-	-	-	-
Minimum hire purchase payments	338,108	666,849	-	-
Less future finance charges	(64,135)	(128,059)	-	-
Total hire purchase liability	<b>273,973</b>	<b>538,790</b>	<b>-</b>	<b>-</b>

Hire purchase payables relate to hire purchase liabilities held over assets purchased by the company.

#### (b) Property rent and lease commitments

Payable				
- not later than 1 year	311,366	164,152	-	-
- later than 1 year but not later than 5 years	231,584	208,949	-	-
- later than 5 years	-	-	-	-
	<b>542,950</b>	<b>373,101</b>	<b>-</b>	<b>-</b>

Property rent and lease commitments relates to office premises in Australia, the UK and USA

## Notes to the financial statements

	Consolidated 2005 \$	Consolidated 2004 \$	ITL 2005 \$	ITL 2004 \$
<b>Note 27: Capital and Leasing Commitments (cont'd)</b>				
<b>(c) Operating Lease Commitments</b>				
Payable				
- not later than 1 year	16,358	15,219	-	-
- later than 1 year but not later than 5 years	19,939	33,426	-	-
- later than 5 years	-	-	-	-
	36,297	48,645	-	-
Operating lease relates to office equipment				
Total Capital and Leasing Commitments	853,220	960,536	-	-

## Note 28: Cash Flow Information

### (a) Reconciliation of Cash Flows from Operations with Profit/(Loss) from Ordinary Activities after Income Tax

Loss from ordinary activities after income tax	(139,043)	(2,032,501)	(1,688,788)	(450,484)
Cash flows excluded from loss from ordinary activities attributable to operating activities				
Non-cash flows in loss from ordinary activities:				
Amortisation	979,956	576,075	2,312	489
Depreciation	431,642	626,940	93,834	41,365
Net (gain)/loss on disposal of property, plant and equipment	(9,546)	5,555	-	-
Write-off of capitalised development costs	964,036	-	126,632	-
Write-off of formation expenses	-	8,391	-	1,389
Write-off of Inventory	193,962	45,376	-	-
Unrealised loss on foreign currency transactions	108,466	53,013	-	-
Income on change in company structure	-	-	(274,608)	-
Assumption of tax liabilities from subsidiaries	-	-	449,055	-
Dividends from subsidiary company	-	-	-	-
(Increase)/decrease in trade and term debtors	(861,572)	132,055	(62,755)	(6,082)
(Increase)/decrease in prepayments	109,967	(353,895)	(87,491)	(46,652)
(Increase)/decrease in accrued income	12,997	162,837	12,916	(23,487)
(Increase) in inventories	(546,815)	(1,862,683)	-	-
(Increase)/decrease in Future Income Tax benefit	38,884	(44,755)	38,884	(397,585)
Increase in trade creditors and accruals	114,833	2,003,556	466,579	215,300
Increase/(decrease) in taxes payable	(916,009)	(1,717,643)	(837,294)	80,113
Increase in provisions	24,322	86,269	34,113	32,550
<b>Cash flow from operations</b>	<b>506,080</b>	<b>(2,311,410)</b>	<b>(1,726,611)</b>	<b>(553,084)</b>

## Notes to the financial statements

	Consolidated 2005 \$	Consolidated 2004 \$	ITL 2005 \$	ITL 2004 \$
<b>Note 28: Cash Flow Information (Cont'd)</b>				
<b>(b) Acquisition of Entities</b>				
CWP Design Pty Limited				
ITL Limited (via subsidiary company) completed the acquisition of CWP Design Pty Limited's assets and the business operations. Contracts were exchanged on 1 June 2003.				
Total Purchase consideration	-	150,000	-	150,000
Cash consideration (paid in 2003, capitalised in 2004)	-	100,000	-	100,000
Shares issued (as per Note 24)	-	50,000	-	50,000
	-	150,000	-	150,000
Assets and liabilities held at acquisition date:				
Inventories	-	1,000	-	1,000
Property, plant and equipment	-	69,000	-	69,000
	-	70,000	-	70,000
Goodwill on consolidation	-	80,000	-	80,000
Outside equity interests in acquisitions	-	-	-	-
Total Cost for CWP Design Pty Limited	-	150,000	-	150,000
Surgicare Pty Limited				
On 24 October 2003 100% of the controlled entity was acquired. Details of the transaction are:				
Cash Consideration due on acquisition of controlled entity	-	6,998,302	-	-
Costs associated with acquisition	63,681	114,658	-	-
Cash outflow	63,681	7,112,960	-	-

## Notes to the financial statements

	Consolidated 2005 \$	Consolidated 2004 \$	ITL 2005 \$	ITL 2004 \$
<b>Note 28: Cash Flow Information (Cont'd)</b>				
<b>(b) Acquisition of Entities (Cont'd)</b>				
Assets and liabilities held at acquisition date:				
Inventories	-	2,230,935	-	-
Property, plant and equipment	-	305,042	-	-
Receivables – Trade and other	-	1,996,000	-	-
Cash	-	182,341	-	-
Other assets	-	30,034	-	-
Trade and other creditors	-	(1,468,602)	-	-
Hire purchase finance liabilities	-	(68,895)	-	-
Provisions	-	(189,253)	-	-
Loans	-	(856,602)	-	-
	-	2,161,000	-	-
Goodwill on acquisition	63,681	4,951,960	-	-
	63,681	7,112,960	-	-
Less: Cash acquired on acquisition	-	301,697	-	-
<b>Total Cost for Surgicare Pty Limited</b>	<b>63,681</b>	<b>6,811,263</b>	-	-
<b>Payment for Subsidiary, net of cash acquired</b>	<b>63,681</b>	<b>6,811,263</b>	-	-
<b>(c) Loan facilities</b>				
Amount utilised	915,705	2,038,629	-	-
The major facilities are summarised as follows:				
Bank overdrafts	162,706	807,332	-	-
Bank loans	479,026	692,507	-	-
Hire purchase liability	273,973	538,790	-	-
	<b>915,705</b>	<b>2,038,629</b>	-	-

## Note 29: Contingent Liabilities and Contingent Assets

### US Patent Litigation

The Platypus® litigation is currently on appeal by ITL and its co-defendants, JMS. A Jury Trial was held during February to April 2004. The Jury found ITL not to have infringed and five of the eight patent claims in question were made invalid. However, the Jury found that the remaining three claims were valid and infringed by JMS (ITL's distributor). Due to a prior joint defence agreement with JMS, ITL expensed \$1.1 million as its share of the possible settlement in 2004.

### Surgicare Completion Accounts Dispute

The former owners of Surgicare (the company ITL purchased in October 2003) have lodged a dispute with an arbitrator regarding the completion accounts. The dispute involves approximately \$400,000, which if ITL is unsuccessful, would be capitalised into the Investment in Surgicare. The parties have attended mediation and ITL has applied to the court for rectification of the share purchase contract.

## Notes to the financial statements

### Note 30: Controlled Entities

#### (a) Controlled Entities

	Country of Incorporation	Percentage Owned (%) 2005	Percentage Owned (%) 2004
<b>Parent Entity</b>			
ITL Limited	Australia		
<b>Subsidiaries of ITL Limited</b>			
ITL Needleguard Corporation Pty Limited	Australia	100%	100%
ITL Corporation Pty Limited	Australia	100%	100%
Noble House Group Pty Limited	Australia	100%	100%
Cedrica Group Limited	British Virgin Islands	-	100%
ITL North America Inc	USA	100%	100%
ITL Europe Limited	UK	100%	100%
ITL Asia Pacific Sdn Bhd	Malaysia	100%	100%
ITL Design and Manufacturing Pty Limited	Australia	100%	100%
ITL HealthCare Pty Limited	Australia	100%	100%
ITL HealthCare Sdn Bhd	Malaysia	100%	100%
Surgicare Pty Limited	Australia	100%	100%

#### (b) Controlled Entities Acquired

None

#### (c) Controlled Entities Closed

Cedrica Group Limited ceased operations on 30/4/05.

Consolidated 2005 \$	Consolidated 2004 \$	ITL 2005 \$	ITL 2004 \$
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### Note 31: Related party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated

Transactions with related parties:

#### (i) Ultimate Parent Company

None

#### (ii) Entities within wholly owned group

None

#### (iii) Directors

Companies associated with directors were paid	6,000	44,333	6,000	-
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#### (iv) Share Transactions of Directors

Directors and Director – related entities hold directly, indirectly or beneficially as at the reporting date are disclosed in Note 4.

### Note 32: Subsequent Events

There are no matters or circumstance that have arisen since the end of the financial year that have significantly affected or may significantly affect the operation of the company and consolidated entity, the result of those operations or state of affairs of the company and consolidated entity in future financial year.

## Notes to the financial statements

### Note 33: Financial Instruments

#### (a) Interest Rate Risk

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Non-Interest Bearing Rate		Floating Interest Rate		Fixed Interest Within 1 Year		Rate Maturing 1 to 5 Years	
	2005	2004	2005	2004	2005	2004	2005	2004
<b>Financial Assets</b>								
Cash on hand	3,233	5,211	-	-	-	-	-	-
Cash at bank	-	-	4,376,089	7,360,288	-	-	-	-
Receivables	4,237,887	3,455,956	-	-	-	-	-	-
<b>Total Financial Assets</b>	<b>4,241,120</b>	<b>3,461,167</b>	<b>4,376,089</b>	<b>7,360,288</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Weighted Average Effective Interest Rate	-	-	2.96%	4.82%	-	-	-	-
<b>Financial Liabilities</b>								
Trade accounts payable	4,594,378	4,564,189	-	-	-	-	-	-
Bank overdraft	-	-	162,706	807,332	-	-	-	-
Bank loans	-	-	479,026	692,507	-	-	-	-
Hire purchase liability	-	-	-	-	178,212	253,757	95,761	285,033
Other loans	-	-	-	-	-	-	-	-
<b>Total Financial Liabilities</b>	<b>4,594,378</b>	<b>4,564,189</b>	<b>641,732</b>	<b>1,499,839</b>	<b>178,212</b>	<b>253,757</b>	<b>95,761</b>	<b>285,033</b>
Weighted Average Effective Interest Rate	-	-	6.10%	7.08%	5.11%	5.06%	5.11%	5.06%

#### (b) Credit Risk

The company's maximum exposures to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and the notes to the financial statements.

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the contract to meet their obligations. The credit risk exposure to forward exchange contracts and interest rate swaps is the net fair value of these contracts as disclosed in (c).

Except for the following concentrations of credit risks, the economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

#### (c) Net Fair Values

The net fair values of term debtors and government and fixed interest securities and bonds are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.

The net fair values of listed investments have been valued at the quoted market bid price at balance date, adjusted for transaction costs expected to be incurred. For unlisted investments where there is no organised financial market the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.

The net fair values of other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value.

For other assets and other liabilities the net fair value approximates their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments, forward exchange contracts and interest rate swaps.

Financial assets where the carrying amount exceeds net fair values have not been written down as the economic entity intends to hold these assets to maturity.

## Notes to the financial statements

	Consolidated 2005 \$	Consolidated 2004 \$
<b>Note 35: Segment Reporting</b>		
<b>Primary Reporting – Business Segment Revenue</b>		
- Innovative products division (IPD) <sup>1</sup>	15,966,603	12,191,370
- Procedure kit division (PKD) <sup>1</sup>	17,690,139	8,912,895
- Corporate and other <sup>1</sup>	479,433	406,818
- Eliminations <sup>1</sup>	(9,921,014)	(3,882,372)
	<u>24,215,161</u>	<u>17,628,711</u>
<b>Result</b>		
- Innovative products division (IPD) <sup>2</sup>	3,065,607	(1,031,060)
- Procedure kit division (PKD) <sup>3</sup>	(1,040,416)	(100,689)
- Corporate and other	(1,688,789)	(450,481)
- Eliminations	(475,445)	(450,271)
	<u>(139,043)</u>	<u>(2,032,501)</u>
<b>Carrying amount of segment assets</b>		
- Innovative products division (IPD) <sup>4</sup>	13,890,703	26,744,683
- Procedure kit division (PKD) <sup>4</sup>	2,800,121	15,460,462
- Corporate and other	24,457,481	25,846,640
- Eliminations <sup>4</sup>	(10,882,286)	(35,969,706)
	<u>30,266,019</u>	<u>32,082,079</u>
<b>Depreciation &amp; Amortisation</b>		
- Innovative products division (IPD)	745,679	756,776
- Procedure kit division (PKD)	158,890	140,838
- Corporate and other	96,146	41,854
- Eliminations	410,883	287,046
	<u>1,411,598</u>	<u>1,226,14</u>
Less: Depreciation included in COGS	(241,040)	(251,918)
	<u>1,170,557</u>	<u>974,596</u>
<b><sup>1</sup> Revenue includes restructure income arising from the transfer of assets and liabilities within the group:</b>		
- Innovative products division (IPD)	464,183	-
- Procedure kit division (PKD)	3,083,359	-
- Corporate and other	274,608	-
- Eliminations	(3,822,150)	-
	<u>-</u>	<u>-</u>
<b><sup>2</sup> IPD result includes non-recurring:</b>		
Accrued litigation settlement – US	-	1,056,000
Legal expenses – US	324,085	1,519,370
Write off of capitalised research and development	111,440	-
	<u>435,525</u>	<u>2,575,370</u>
<b><sup>3</sup> PKD result includes non-recurring:</b>		
Redundancies	867,424	-
Write off of capitalised research and development	792,442	-
	<u>1,659,866</u>	<u>-</u>

<sup>4</sup> In the 2005 financial year, many of the subsidiary companies were restructured which has eliminated the carrying amount of their assets before consolidation.

## Notes to the financial statements

	Consolidated 2005 \$	Consolidated 2004 \$
<b>Note 35: Segment Reporting (cont'd)</b>		
<b>Secondary Reporting – Geographical Segment</b>		
<b>Segment Revenue</b>		
- Australia	16,038,934	10,176,841
- North America	6,744,758	3,942,858
- Europe	1,367,910	1,243,924
- Asia	63,559	559,493
- Other	-	1,705,595
	24,215,161	17,628,711
<b>Carrying Amount of Segment Asset</b>		
- Australia	25,586,780	27,020,443
- North America	239,939	37,271
- Europe	153,571	206,914
- Asia	4,285,726	4,817,451
	30,266,017	32,082,079
<b>Acquisition of non-current Asset</b>		
- Australia	1,879,776	6,839,819
- North America	16,654	6,925
- Europe	15,322	1,881
- Asia	177,334	487,611
	2,089,086	7,336,236

## Note 36: Employee Benefits

### Employee Share Option Arrangement

On 28 February 2005 4,050,000 share options were granted to all executives under the Executive Share Option Plan to accept ordinary shares at an exercise price of \$0.20. The options are exercisable between 1 March 2006 and 31 August 2006. Under the company's share trading policy employees are not permitted to trade in ITL shares between 30 June and 24 hours after the lodgement with the Australian Stock Exchange of the Appendix 4E. The options hold no voting or dividend rights, and are not transferable. When an executive ceases employment the options are deemed to have lapsed. 500,000 of these options lapsed on 8 April 2005 when an executive terminated employment. Since balance date, no executive has ceased employment. At balance date, no share option has been exercised.

The closing share market price of an ordinary share of ITL Limited on the Australian Stock Exchange at 30 June 2005 was \$0.175 (30 June 2004: \$0.35).

	Consolidated		ITL	
	2005 No.	2004 No.	2005 No.	2004 No.
(a) Movement in the number of share options held are as follows				
Opening balance	4,751,000	4,774,000	4,751,000	4,774,000
Granted during the year	4,050,000	-	4,050,000	-
Lapsed during the year	4,151,000	23,000	4,151,000	23,000
Closing balance	<b>4,650,000</b>	<b>4,751,000</b>	<b>4,650,000</b>	<b>4,751,000</b>

## Notes to the financial statements

### Note 36: Employee Benefits (cont'd)

(b) Details of share options outstanding as at end of year:

Grant Date	Exercise Period	Exercise Price	Consolidated		ITL	
			2005	2004	2005	2004
			No.	No.	No.	No.
23/10/03	42 days after release by ASX of 30/6/04 Appendix 4E	\$0.60	-	2,951,000	-	2,951,000
23/10/03	42 days after release by ASX of 30/6/05 Appendix 4E	\$0.65	250,000	500,000	250,000	500,000
23/10/03	42 days after release by ASX of 30/6/05 Appendix 4E	\$0.60	600,000	800,000	600,000	800,000
23/10/03	42 days after release by ASX of 30/6/06 Appendix 4E	\$0.70	250,000	500,000	250,000	500,000
28/2/05	1/3/06 to 31/8/06	\$0.20	3,550,000	-	3,550,000	-
			<b>4,650,000</b>	<b>4,751,000</b>	<b>4,650,000</b>	<b>4,751,000</b>

### Note 37: Company Details

The registered office and principal place of business of the company is:

ITL Limited  
 Unit 6, 41-45 Tennant Street  
 Fyshwick ACT 2609  
 Australia

## DIRECTORS' DECLARATION

### The Directors of the company declare that:

1. the financial statements and notes, comprising the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and Notes to the financial statements are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2005 and of the performance for the year ended on that date of the company and the economic entity;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The company and its wholly-owned subsidiaries ITL Needle Guard Corporation Pty Ltd ACN 072 906 319, ITL Corporation Pty Ltd ACN 085 025 538, Noble House Group Pty Ltd ACN 063 482 806, ITL Design and Manufacturing Pty Ltd ACN 105 267 070, ITL HealthCare Pty Ltd ACN 100 701 004 and Surgicare Pty Limited ACN 005 611 772 have entered into a deed of cross guarantee under which the company and its subsidiary guarantee the debts of each other.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

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



Director – Julian Gosse

Dated this 24<sup>th</sup> day of August 2005



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## **INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ITL LIMITED AND CONTROLLED ENTITIES**

### **Scope**

#### **The financial report and directors' responsibility**

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors declaration for ITL Limited and Controlled Entities (the consolidated entity), for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### **Audit Approach**

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF  
ITL LIMITED AND CONTROLLED ENTITIES (continued)**

**Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration of the financial report has not changed as at the date of providing our audit opinion.

**Audit Opinion**

In our opinion, the financial report of ITL Limited and Controlled Entities is in accordance with:

- the Corporations Act 2001, including:
  - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and
  - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- other mandatory professional reporting requirements in Australia.

A B Papps  
Registered Company Auditor  
Walter Turnbull

Canberra, ACT  
24 August, 2005