

Appendix 4D

ITL Limited and Controlled Entities

ABN 16 088 212 088

Half-yearly report

Six months ended 31 December 2005

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Results for announcement to the market

Comparison to six months ended 31 December 2004				\$A'000
Revenues from ordinary activities	Up	20%	to	13,337
Profit before tax from ordinary activities	Up	171%	to	1,313
Profit from ordinary activities after tax attributable to members	Up	161%	to	905
Net profit for the period attributable to members	Up	161%	to	905
Dividends	Amount per security		Franked amount per security	
Final 2005 dividend	Nil		Nil	
Interim 2006 dividend	Nil		Nil	
Record date for determining entitlements to the dividend				N/A
Commentary on results for the period				
Please refer to the attached Directors' Report for commentary.				

Dividends paid or proposed

	2006 \$A	2005 \$A
Final dividend paid during the year	Nil	Nil
Interim dividend paid during the year	Nil	Nil
Total dividends paid	Nil	Nil

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)

	31 December 2005 \$A	31 December 2004 \$A
Weighted average number or ordinary shares outstanding during the period used in the calculation of:		
(a) Basic EPS	99,614,000	99,614,000
(b) Diluted EPS	103,862,098	104,303,326
Earnings per security – basic	0.009	(0.015)
Earnings per security – diluted	0.009	(0.014)

Net tangible asset (NTA) backing

	31 December 2005 \$A	30 June 2005 \$A
Net tangible asset backing per ordinary security	0.143	0.142

Net asset backing

	31 December 2005 \$A	30 June 2005 \$A
Net asset backing per ordinary security	0.262	0.251

Entities over which control has been gained

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

Associates and joint ventures

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



William L Mobbs
Director
20 February 2006

ITL Limited

ABN 16 088 212 088

Half Year Report 31 December 2005

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2005 and any public announcements made by ITL Limited during the interim reporting period and up to the date of this report in accordance with the continuous disclosure requirements of the Corporations Act 2001.

ITL Limited and Controlled Entities

ABN 16 088 212 088

DIRECTORS' REPORT

Your Directors submit the financial report of the Company for the half year ended 31 December 2005.

Directors

The names of Directors who held office during or since the end of the half year:

Non-executive directors:

Mr Julian Gosse (Chairman)

Mr Richard England

Mr Roy Rose (from 1 September 2005)

Executive director:

Mr William Mobbs (Managing Director and Chief Executive Officer)

Review of operations

Revenue for the half year was \$13.3million, net profit before tax was \$1,312,554 with EBITDA of \$1.8million. The net profit after income tax expense of \$407,091 calculated in accordance with Australian equivalents of International Financial Reporting Standards was \$905,463. However, no tax will be payable due to carried forward accumulated tax losses.

This was a solid performance for ITL, continuing on from the strong result for the second half of 2004/05 net profit before tax \$1.3million, revenue \$13.1million and EBITDA \$2.2million. These results demonstrate the effectiveness of the group since the organisation's restructure during the first half of 2004/05.

The innovative products division (IPD) experienced a setback during the six months when its largest customer, the American Red Cross changed its warehousing arrangements and reduced its levels of overstocked items by not making any purchases of ITL product during September and October. This affected sales by approximately \$600,000.

The procedure kits division (PKD) has experienced growth in both revenue and profitability. PKD sales of \$9.1million for the six months represent growth of 21% over second half of 2004/05 sales of \$7.5 million.

The results compare very favourably to the corresponding period of 2004/05 which showed a loss before tax of \$1.8million, revenue of \$11.1 million and EBITDA of \$551,000. The PKD division sales were 29% higher and IPD 6% higher than the same period last year.

Second half outlook

ITL is expecting a continuation of its strong performance over the next six months.

During the half year ITL has exercised its option to purchase Heal Marketing Sdn Bhd as of 1 January 2006. The purchase was completed on 20 January 2006. Heal Marketing is a leader in the marketing of medical products in Malaysia. ITL plans to leverage Heal's distribution network with its highly accredited Malaysian manufacturing facilities and increase market share of ITL products in South East Asia.

Adoption of Australian Equivalents to IFRS

This interim financial report has been prepared under Australian equivalents to IFRS. A reconciliation of differences between previous GAAP and Australian equivalents to IFRS has been included in Note 2 of this report.

Dividends Paid or Recommended

No dividends were paid or declared for the period to 31 December 2005.

Rounding of Amounts

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

ITL Limited and Controlled Entities
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Auditor's Declaration

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 4 for the half-year ended 31 December 2005.

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



Director – Julian Gosse

Dated this 20 day of February 2006



Director – William Mobbs



**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 half-year ended 31 December 2005 there have been:

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

A B Papps
Registered Company Auditor
Walter Turnbull

20 Canberra, ACT
February 2006

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BUSINESS ADVISORY SERVICES

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INSOLVENCY SERVICES

ACCOUNTING SOLUTIONS



ITL Limited and Controlled Entities
ABN 16 088 212 088

Consolidated Income Statement
for the half-year ended 31 December 2005

	Consolidated	
	31 December 2005	31 December 2004
	\$	\$
Revenues	13,337,472	11,106,259
Cost of Sales	(7,567,554)	(6,301,796)
Employee benefits expense	(3,174,469)	(3,786,193)
Depreciation and amortisation expense	(312,143)	(383,579)
Borrowing costs expense	(81,181)	(58,134)
Consultants	(63,533)	(108,679)
Legal expenses – US	(60,964)	(129,641)
Office expenses	(424,474)	(293,380)
Travel and accommodation	(309,231)	(283,518)
Communication and marketing	(318,784)	(317,907)
Accounting and audit	(102,801)	(213,976)
Impairment of capitalised research and development	-	(964,036)
Work performed by the entity and capitalised	342,138	463,736
Currency gains and losses	107,478	(249,235)
Other expenses	(59,400)	(320,263)
	<hr/>	<hr/>
Profit/(Loss) before income tax expense	1,312,554	(1,840,342)
	<hr/>	<hr/>
Income tax benefit/(expense)	(407,091)	355,031
	<hr/>	<hr/>
Profit/(loss) attributable to ITL Limited's Shareholders	905,463	(1,485,311)
	<hr/>	<hr/>
Basic earning per share (cents per share)	0.009	(0.015)
Diluted earning per share (cents per share)	0.009	(0.014)

ITL Limited and Controlled Entities
ABN 16 088 212 088

Consolidated Balance Sheet
as at 31 December 2005

	Consolidated	
	31 December 2005	30 June 2005
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	4,251,108	4,379,322
Trade and other receivables	4,553,194	4,237,887
Inventories	6,370,719	5,163,387
Prepayments	203,793	261,100
Other current assets	506,034	610,379
TOTAL CURRENT ASSETS	15,884,848	14,652,075
NON-CURRENT ASSETS		
Property, plant and equipment	2,676,713	2,598,077
Product development, tools	5,395,421	4,459,091
Intangible assets	8,592,877	8,580,490
Deferred tax assets	7,106	-
Investments	125,000	-
TOTAL NON-CURRENT ASSETS	16,797,117	15,637,658
TOTAL ASSETS	32,681,965	30,289,733
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	5,048,631	4,594,378
Interest-bearing liabilities	182,207	484,521
Current tax liabilities (asset)	(64,354)	(969,758)
Short term provisions	486,542	365,587
TOTAL CURRENT LIABILITIES	5,653,026	4,474,728
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	742,041	431,184
Deferred tax liabilities	132,492	342,282
Long term provisions	27,203	-
TOTAL NON-CURRENT LIABILITIES	901,736	773,466
TOTAL LIABILITIES	6,554,762	5,248,194
TOTAL NET ASSETS	26,127,203	25,041,539
EQUITY		
Contributed Equity	27,700,200	27,700,200
Reserves	(117,688)	(297,889)
Retained Profits	(1,455,309)	(2,360,772)
TOTAL EQUITY	26,127,203	25,041,539

ITL Limited and Controlled Entities
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Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2005

Note	Contributed Equity \$	Foreign Currency Translation Reserve \$	Asset Revaluation Reserve \$	Retained Profits \$	Total \$
Balance at 1 July 2004	27,700,200	(410,376)	-	(2,627,463)	24,662,361
Loss attributable to ITL Limited's Shareholders	-	-	-	(1,485,311)	(1,485,311)
Net exchange difference on translation of financial statements of self-sustaining foreign operations.	-	(182,115)	-	-	(182,115)
Balance at 31 December 2004	27,700,200	(592,491)	-	(4,112,774)	22,994,935
Balance at 1 July 2005	27,700,200	(678,042)	380,153	(2,360,772)	25,041,539
Profit attributable to ITL Limited's Shareholders	-	-	-	905,463	905,463
Net exchange difference on translation of financial statements of self-sustaining foreign operations.	-	180,201	-	-	180,201
Balance at 31 December 2005	27,700,200	(497,841)	380,153	(1,455,309)	26,127,203

ITL Limited and Controlled Entities
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Consolidated Cash Flow Statement
for the half-year ended 31 December 2005

	Consolidated	
	31 December 2005	31 December 2004
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from grants and customers	14,017,591	11,115,068
Payments to suppliers	(9,171,496)	(8,081,219)
Payment of expenses and wages	(3,820,011)	(4,813,852)
Interest received	65,050	146,506
Borrowing costs	(81,181)	(58,134)
Income tax paid	281,417	(241,963)
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	1,291,370	(1,933,594)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of non-current assets	-	29,849
Payment for product development and tools	(1,058,267)	(673,022)
Payment for property, plant and equipment	(211,468)	(266,848)
Payment for patents and intellectual property	(28,000)	(42,388)
Payment for investments in unrelated entities	-	(175,000)
Deposit on purchase of assets	(70,655)	(39,465)
Payment for subsidiary, net of cash acquired	(59,737)	(8,542)
	<hr/>	<hr/>
Net cash used in investing activities	(1,428,127)	(1,175,416)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	810,852	-
Repayments of borrowings	(775,809)	(331,805)
	<hr/>	<hr/>
Net cash provided by (used in) financing activities	35,043	(331,805)
Net decrease in cash held	(101,714)	(3,440,815)
Cash at 1 July	4,216,616	6,558,167
Cash at 31 December	4,114,902	3,117,352
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ITL Limited and Controlled Entities

ABN 16 088 212 088

Notes to the financial statements for the half year ended 31 December 2005

Note 1: Basis of preparation of Half-Year Financial Report

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2005 and any public announcements made by ITL Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

As this is the first interim financial report prepared under Australian equivalents to IFRS, the accounting policies applied are inconsistent with those applied in the 30 June 2005 annual report as this report was presented under previous Australian GAAP. Accordingly, a summary of the significant accounting policies under Australian equivalents to IFRS has been included below. A reconciliation of equity and profit and loss between previous GAAP and Australian equivalents to IFRS has been prepared per Note 2.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity ITL Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the Company, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

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

Minority equity 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 charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Notes to the financial statements for the half year ended 31 December 2005

Note 1: Basis of preparation (cont'd)

(b) Income Tax (cont'd)

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 Company 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 Regime. 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, or where possible, costs are updated to most recent purchase price.

(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 and impairment losses.

Property

Land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

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 that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with that item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Notes to the financial statements for the half year ended 31 December 2005

Note 1: Basis of preparation (cont'd)

(d) Property, Plant and Equipment (cont'd)

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use. 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 development	5%
Product tools, production, QA and Lab equipment	10% - 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(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 that are transferred to entities in the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset or over the term of the lease.

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 and amortised on a straight-line basis over the life of the lease term.

(f) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Notes to the financial statements for the half year ended 31 December 2005

Note 1: Basis of preparation (cont'd)

(f) Financial Instruments (cont'd)

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or if so designated by management and within the requirement of AASB139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised costs using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest method.

Available-for-sale financial assets

Available for sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(g) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Investments in Associates

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

Notes to the financial statements for the half year ended 31 December 2005

Note 1: Basis of preparation (cont'd)

(i) 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. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Patents and Trademarks

Patents and Trademarks are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. They 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 usually 20 years.

Research and Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Product development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Product development has a finite life and is amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(j) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when the values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group Companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

Notes to the financial statements for the half year ended 31 December 2005

Note 1: Basis of preparation (cont'd)

(k) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. 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.

(l) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

Bank overdrafts are included in cash for the purposes of the statement of cash flows.

(m) Revenue

Revenue from the sale of goods is recognised upon the dispatch 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 right 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).

(n) 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 balance sheet are shown inclusive of GST.

Cash flows are included in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(o) Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met.

Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis

(p) Comparative figures

When required by Accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

Notes to the financial statements for the half year ended 31 December 2005

		Company		
	Note	Previous GAAP at 1 July 2004	Adjustments on introduction of Australian equivalents to IFRS	Australian equivalents to IFRS at 1 July 2004
		\$	\$	\$
Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards				
Reconciliation of Equity at 1 July 2004				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		7,365,499	-	7,365,499
Trade and other receivables		3,455,956	-	3,455,956
Inventories		4,810,534	-	4,810,534
Prepayments		371,067	-	371,067
Other current assets		294,484	-	294,484
TOTAL CURRENT ASSETS		16,297,540	-	16,297,540
NON-CURRENT ASSETS				
Property, plant and equipment		2,217,346	-	2,217,346
Product development, tools		4,521,167	-	4,521,167
Intangible assets		8,614,714	-	8,614,714
Deferred tax assets	2(a)	431,312	(431,312)	-
Investments		-	-	-
TOTAL NON-CURRENT ASSETS		15,784,539	(431,312)	15,353,227
TOTAL ASSETS		32,082,079	(431,312)	31,650,767
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables		4,546,189	-	4,546,189
Interest-bearing liabilities		1,321,026	-	1,321,026
Current tax liabilities (asset)		(313,672)	-	(313,672)
Short term provisions		341,265	-	341,265
TOTAL CURRENT LIABILITIES		5,894,808	-	5,894,808
NON-CURRENT LIABILITIES				
Interest-bearing liabilities		717,603	-	717,603
Deferred tax liabilities	2(a)	508,114	(132,119)	375,995
Long term provisions		-	-	-
TOTAL NON-CURRENT LIABILITIES		1,225,717	(132,119)	1,093,598
TOTAL LIABILITIES		7,120,525	(132,119)	6,988,406
TOTAL NET ASSETS		24,961,554	(299,193)	24,662,361
EQUITY				
Contributed Equity		27,700,200	-	27,700,200
Reserves		(410,376)	-	(410,376)
Retained Profits	2(c)	(2,328,270)	(299,193)	(2,627,463)
TOTAL EQUITY		24,961,554	(299,193)	24,662,361

Notes to the financial statements for the half year ended 31 December 2005

		Company		
	Note	Previous GAAP at 31 December 2004	Adjustments on introduction of Australian equivalents to IFRS	Australian equivalents to IFRS at 31 December 2004
		\$	\$	\$
Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont'd)				
Reconciliation of Equity at 31 December 2004				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		3,487,238	-	3,487,238
Trade and other receivables		4,199,647	-	4,199,647
Inventories		5,398,016	-	5,398,016
Prepayments		238,883	-	238,883
Other current assets		333,949	-	333,949
TOTAL CURRENT ASSETS		13,657,733	-	13,657,733
NON-CURRENT ASSETS				
Property, plant and equipment		2,060,359	-	2,060,359
Product development, tools		3,740,044	-	3,740,044
Intangible assets	2(b)	8,359,663	206,692	8,566,355
Deferred tax assets	2(a)	1,023,192	(390,931)	632,261
Investments		175,000	-	175,000
TOTAL NON-CURRENT ASSETS		15,358,258	(184,239)	15,174,019
TOTAL ASSETS		29,015,991	(184,239)	28,831,752
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables		4,162,812	-	4,162,812
Interest-bearing liabilities		741,488	-	741,488
Current tax liabilities (asset)		(357,519)	-	(357,519)
Short term provisions		307,037	-	307,037
TOTAL CURRENT LIABILITIES		4,853,818	-	4,853,818
NON-CURRENT LIABILITIES				
Interest-bearing liabilities		527,890	-	527,890
Deferred tax liabilities	2(a)	464,767	(9,658)	455,109
Long term provisions		-	-	-
TOTAL NON-CURRENT LIABILITIES		992,657	(9,658)	982,999
TOTAL LIABILITIES		5,846,475	(9,658)	5,836,817
TOTAL NET ASSETS		23,169,516	(174,581)	22,994,935
EQUITY				
Contributed Equity		27,700,200	-	27,700,200
Reserves		(592,491)	-	(592,491)
Retained Profits	2(c)	(3,938,193)	(174,581)	(4,112,774)
TOTAL EQUITY		23,169,516	(174,581)	22,994,935

Notes to the financial statements for the half year ended 31 December 2005

		Company		
	Note	Previous GAAP at 30 June 2005	Adjustments on introduction of Australian equivalents to IFRS	Australian equivalents to IFRS at 30 June 2005
		\$	\$	\$
Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont'd)				
Reconciliation of Equity at 30 June 2005				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		4,379,322	-	4,379,322
Trade and other receivables		4,237,887	-	4,237,887
Inventories		5,163,387	-	5,163,387
Prepayments		261,100	-	261,100
Other current assets		610,379	-	610,379
TOTAL CURRENT ASSETS		14,652,075	-	14,652,075
NON-CURRENT ASSETS				
Property, plant and equipment		2,598,077	-	2,598,077
Product development, tools		4,459,091	-	4,459,091
Intangible assets	2(b)	8,164,348	416,142	8,580,490
Deferred tax assets	2(a)	392,428	(392,428)	-
Investments		-	-	-
TOTAL NON-CURRENT ASSETS		15,613,944	23,714	15,637,658
TOTAL ASSETS		30,266,019	23,714	30,289,733
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables		4,594,378	-	4,594,378
Interest-bearing liabilities		484,521	-	484,521
Current tax liabilities (asset)		(969,758)	-	(969,758)
Short term provisions		365,587	-	365,587
TOTAL CURRENT LIABILITIES		4,474,728	-	4,474,728
NON-CURRENT LIABILITIES				
Interest-bearing liabilities		431,184	-	431,184
Deferred tax liabilities	2(a)	248,191	94,091	342,282
Long term provisions		-	-	-
TOTAL NON-CURRENT LIABILITIES		679,375	94,091	773,466
TOTAL LIABILITIES		5,154,103	94,091	5,248,194
TOTAL NET ASSETS		25,111,916	(70,377)	25,041,539
EQUITY				
Contributed Equity		27,700,200	-	27,700,200
Reserves	2(d)	(120,971)	(176,918)	(297,889)
Retained Profits	2(c)	(2,467,313)	106,541	(2,360,772)
TOTAL EQUITY		25,111,916	(70,377)	25,041,539

Notes to the financial statements for the half year ended 31 December 2005

	Note	Previous GAAP	Company Effect of transition to Australian equivalents to IFRS	Australian equivalents to IFRS
		\$	\$	\$
Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont'd)				
Reconciliation of Profit or Loss for the half year 31 December 2004				
Revenues		11,106,259	-	11,106,259
Cost of Sales		(6,301,796)	-	(6,301,796)
Employee benefits expense		(3,786,193)	-	(3,786,193)
Depreciation and amortisation expense	2(b)	(590,271)	206,692	(383,579)
Borrowing costs expense		(58,134)	-	(58,134)
Consultants		(108,679)	-	(108,679)
Legal expenses – US		(129,641)	-	(129,641)
Office expenses		(293,380)	-	(293,380)
Travel and accommodation		(283,518)	-	(283,518)
Communication and marketing		(317,907)	-	(317,907)
Accounting and audit		(213,976)	-	(213,976)
Impairment of capitalised research and development		(964,036)	-	(964,036)
Work performed by the entity and capitalised		463,736	-	463,736
Currency gains and losses		(249,235)	-	(249,235)
Other expenses		(320,263)	-	(320,263)
Profit/(Loss) before income tax expense		(2,047,034)	206,692	(1,840,342)
Income tax benefit/(expense)	2(a)	437,111	(82,080)	355,031
Profit/(loss) attributable to ITL Limited's Shareholders		(1,609,923)	124,612	(1,485,311)

Notes to the financial statements for the half year ended 31 December 2005

		Company		
	Note	Previous GAAP	Effect of transition to Australian equivalents to IFRS	Australian equivalents to IFRS
		\$	\$	\$
Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont'd)				
Reconciliation of Profit or Loss for the full year to 30 June 2005				
Revenues		24,215,161	-	24,215,161
Cost of Sales		(13,627,450)	-	(13,627,450)
Employee benefits expense		(6,710,938)	-	(6,710,938)
Depreciation and amortisation expense	2(b)	(1,170,558)	416,142	(754,416)
Borrowing costs expense		(107,341)	-	(107,341)
Consultants		(215,964)	-	(215,964)
Legal expenses – US		(324,085)	-	(324,085)
Office expenses		(562,749)	-	(562,749)
Travel and accommodation		(487,172)	-	(487,172)
Communication and marketing		(526,172)	-	(526,172)
Accounting and audit		(393,416)	-	(393,416)
Impairment of capitalised research and development		(964,036)	-	(964,036)
Work performed by the entity and capitalised		888,264	-	888,264
Currency gains and losses		(207,548)	-	(207,548)
Other expenses		(599,110)	-	(599,110)
Profit/(Loss) before income tax expense		(793,114)	416,142	(376,972)
Income tax benefit/(expense)	2(a)	654,071	(309,601)	344,470
Profit/(loss) attributable to ITL Limited's Shareholders		(139,043)	106,541	(32,502)
		30 June 2005	31 December 2004	1 July 2004
		\$	\$	\$

Notes to the reconciliations of equity and profit or loss at 1 July 2004, 31 December 2004 and 30 June 2005

(a)	Change in tax treatment of assets and liabilities under AIFRS	(309,601)	(381,273)	(299,193)
(b)	Under AASB 3, goodwill is no longer amortised but subject to annual impairment testing. All goodwill amortised under previous GAAP has been reversed. Goodwill amounting to \$206,692 previously amortised for the 2004 half year has been reversed in the income statement for the half year ended 31 December 2004. Goodwill amounting to \$416,142 previously amortised in the 2005 full financial year has been reversed in the income statement for the year ended 30 June 2005.	416,142	206,692	-

ITL Limited and Controlled Entities
ABN 16 088 212 088

Notes to the financial statements for the half year ended 31 December 2005

	30 June 2005	31 December 2004	1 July 2004
	\$	\$	\$
Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont'd)			
Notes to the reconciliations of equity and profit or loss at 1 July 2004, 31 December 2004 and 30 June 2005 (cont'd)			
(c) Retained earnings comprise:			
Reversal of goodwill previously amortised (refer 2(c))	416,142	206,692	-
Change in tax treatment under AIFRS	(309,601)	(381,273)	(299,193)
	<u>106,541</u>	<u>(174,581)</u>	<u>(299,193)</u>
(d) Tax applied to revaluation of land and buildings	(176,918)	-	-
	31 December 2005	31 December 2004	
	\$	\$	

Note 3: Dividends

No dividends were paid during the six months to 31 December 2005

- -

Note 4: Segment Reporting

Primary Reporting – Business Segment

Revenue

- Innovative products division (IPD)	7,477,111	7,281,426
- Procedure kit division (PKD)	9,056,131	10,163,307
- Corporate and other	1,152,018	146,726
- Eliminations	(4,347,788)	(6,485,200)

13,337,472 **11,106,259**

Result

- Innovative products division (IPD)	1,244,780	545,505
- Procedure kit division (PKD)	237,625	(1,472,272)
- Corporate and other	(118,233)	(717,777)
- Eliminations	(51,618)	(195,798)

Profit/loss before income tax expense	1,312,554	(1,840,342)
- Tax expense	(407,091)	355,031

905,463 **(1,485,311)**

Notes to the financial statements for the half year ended 31 December 2005

Note 5: Contingent Liabilities

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 which did not result in any agreement. ITL has since been served with a writ and a summons and has lodged a counter-claim applying for the court for rectification of the share purchase contract.

Note 6: Events Subsequent to Reporting Date

During December 2005 ITL exercised an option via its Malaysian subsidiary ITL Healthcare Sdn Bhd to purchase all of the issued shares in Heal Marketing Sdn Bhd, a leading Malaysian distributor of medical products. The acquisition was effective as of 1 January 2006 and was completed on 20 January 2006. The purchase price is approximately \$2million (including cash, shares and options), with an earn-out based on the performance 1 July 2005 to 30 June 2006 of up to approximately \$440,000. The financial effects of this transaction have not been brought to account at 31 December 2005. The operating results and assets and liabilities of the Company will be consolidated from 1 January 2006.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, comprising the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes to the financial statements:
 - (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true and fair view of the Company's financial position as at 31 December 2005 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Director – Julian Gosse



Director – William Mobbs

Dated this 20th day of February 2006



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your extra asset

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

Scope

We have reviewed the financial report of ITL Limited and Controlled Entities (the Company) for the half-year ended 31 December 2005 as set out on pages 5 to 22. The Company's directors are responsible for the financial report. The financial report includes the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of the half-year or from time to time during the half-year. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: Interim financial reporting and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the Company's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the Company to lodge the financial report with the Australian Securities and Investments Commission/Australian Stock Exchange Limited.

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

Independence

In conducting our review, 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 declaration set out on page 4 of the financial report has not changed as at the date of providing our review opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of ITL limited and Controlled Entities is not in accordance with:

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

A B Papps
Registered Company Auditor
Walter Turnbull

Canberra, ACT
21 February 2006

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