



Innovating Technologies for Life

ITL Limited

ABN 16 088 212 088

**Financial Report
For the year ended 30 June 2008**

ITL Limited and Controlled Entities

ABN 16 088 212 088

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2008.

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)

Mr Roy Rose (an executive director from 1/4/07 until 23/9/07 acting as General Manager of ITL Healthcare business)

Mr Richard England (retired at the AGM on 23 October 2007)

Executive directors:

Mr William Mobbs (Managing Director and Chief Executive Officer)

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

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 medical procedure packs
- Sale and service of medical equipment and instruments.

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

Dividends Paid or Recommended

Dividends paid to members during the financial year were as follows:

	\$
Final ordinary dividend for the year ended 30 June 2007:	
0.5 cent (2006 – 1 cent) per fully paid share paid on 16 October 2007	616,061
	<hr/> 616,061

A final dividend of one quarter of a cent (0.25 cents) has been declared for the year ended 30 June 2008 and will be paid on 16 October 2008. ITL's Dividend Reinvestment plan will not apply to this dividend.

Operating Results

The consolidated profit of the group after providing for an income tax expense of \$22,713 amounted to \$763,633. The tax payable on the result will vary significantly from the above amount due to the differences between tax expense calculated under International Financial Reporting Standards (IFRS) and taxable income as calculated under the Income Tax legislation in the countries in which ITL operates. A reconciliation of income tax is shown in note 5 of the attached notes to the financial statements.

Review of Operations

Group revenue grew by 9.6% from \$35.3 million to \$38.7 million, the addition of the IVT/IVM business has boosted the second half revenues.

Profit from operating activities before tax (excluding restructure expenses, currency losses/gains and reversals/refunds of ATO tax penalties) is down by 27% to \$1.8 million from \$2.5 million.

EBITDA (excluding one-off expenses not relevant to the operations of the business and currency losses/gains) has decreased by 19% to \$3.2 million from \$4.0 million.

Pre-tax profits of \$0.8 million were down on the previous year's \$2.1 million. Profit after tax of \$0.8 million was below last year's after tax profit of \$1.7 million.

ITL Limited and Controlled Entities

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Directors' Report (Cont'd)

International currency movements continued to have an adverse effect on the company's trading results. Due to ITL's growth strategy more than 60% of revenues are now generated offshore, primarily in US dollars and Malaysian ringgit. The Australian dollar has strengthened throughout the year against the US Dollar from 85 cents to 96 cents.

During the year, the Company pursued a strategy of establishing autonomous business units, recognising that each of the three key businesses had differing operational needs, information and customer service requirements. Supporting this strategy, a new General Manager for the Australian Healthcare business was appointed in late 2007, and the VP of Manufacturing relocated to Malaysia to the Asia Pacific manufacturing business. Both of these businesses have also had new senior management appointments in Supply Chain, Logistics and Finance departments. The group shed 80 people, 21% of its workforce between 1 July 2007 and 31 March 2008.

In late 2007, ITL successfully implemented a new business system, Dynamics AX, across all business units, replacing an antiquated information system which the business had outgrown. AX offers ITL full sales & manufacturing, integrated forecasting system capabilities, in addition to internet customer service tracking and reporting functions. Base modules were implemented in September through December 2007 with the more advanced planning modules scheduled for 2008-09.

The Australian Healthcare business (primarily consumables business) now has a new management team, including General Manager, Finance Manager, and Supply Chain Manager. The business achieved revenues of \$15.6m, which were down from \$16.7m in 2007. In house steriliser capability is fully operational and exhaustive validation trials completed to satisfy TGA requirements. The Melbourne facility has capacity to cope with considerably more sales and this is a key goal for the coming year. A new supply agreement that provides ITL with exclusive rights to a branded range of drapes and gowns – "SureSafe", was launched in May 2008 and extensive product trials are underway in a number of major hospitals.

The Malaysian Healthcare business (primarily medical equipment) was seriously impacted by the downturn in large medical infrastructure projects within Malaysia. The reliance on these large projects has now been lessened with the successful acquisition of IVT/IVM business in May 2008. The IVT/IVM product range was essentially Siemens Ultrasound products but with the acquisition ITL has expanded the distribution rights from Siemens to include all their imaging product range within Malaysia. The acquisition expanded our footprint in Malaysia with regional offices in Penang, Kuching and Kota Kinabalu. The ITL Malaysian sales business won the prestigious *Frost & Sullivan 2008 "Malaysian Medical Device Distributor of the Year" Award*.

The Innovative Products business manufactures at ITL's Ipoh Malaysian facility and sells mainly on a business to business basis outside of Australia and South East Asia. Sales are in US dollars and were flat against last year. Revenue growth in this region has been limited due to capacity issues at the Ipoh facility, however there have been marked improvements in manufacturing efficiencies in the second half of the year. Customer contracts with American Red Cross, HemaQuebec and Terumo have been extended / renewed.

ITL continues to be committed to ongoing development of Innovative Products. Throughout the year ITL filed for:

- two new Australian patents
- two new PCT patents; and
- two new trademarks.

Financial Position

The net assets of the consolidated group have increased by \$660,288 from \$38,256,431 at 30 June 2007 to \$38,916,719 at 30 June 2008. This increase has largely resulted from the profit for the year.

The group's working capital, being current assets less current liabilities, has decreased by \$5,852,425 to \$10,462,038. This reduction is due to the payment of cash for business acquisitions and the increased use of short term interest bearing liabilities for increased operational requirements. The current ratio has decreased from 3.0 in 2007 to 2.1 in 2008, despite this decrease the group is in a good position to move into the future.

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

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Directors' Report (Cont'd)

Significant Changes in State of Affairs

Significant changes in the state of affairs of the group during the financial year were as follows:

	2008
	\$
An increase in contributed equity of \$932,620 (from \$38,024,014 to \$38,956,634) as a result of:	
Issue of 433,414 fully paid ordinary shares @ \$0.306 each under the dividend reinvestment plan	132,620
Issue of 8,000,000 fully paid ordinary shares @ \$0.10 each to the sellers of the IVT/IVM businesses	800,000
Total increase in contributed equity	932,620

Events After Balance Date

No matters or circumstance has arisen since 30 June 2008 that has significantly affected, or may significantly affect:

- (a) the group's operations in future financial years, or
- (b) the result of those operations in future financial years, or
- (c) the group's state of affairs in future financial years.

Future Developments, Prospects and Business Strategies

The ITL group has followed a "Growth through Diversification" strategy for a number of years; this has resulted in three autonomous business units which operate in different geographic regions with different product groupings to take advantage of these markets. Each business unit has been working on a pipeline of opportunities which are expected to lead to significant growth in the future. ITL believes that it has the infrastructure resources to support this growth.

Quality and Environment

ITL's quality management systems for its Australian and Malaysian manufacturing facilities are certified to the ISO 13485:2003. In addition the Group's Malaysian manufacturing facility is certified to the Environmental Management System ISO 14001:2004. The consolidated group 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

Julian Gosse	- Chairman (Non-executive) Age 58
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 a non-executive Director of: <ul style="list-style-type: none">• Northern Crest Investment Limited since March 2006 and Chairman since November 2006;• Clime Capital Limited since 2003;• Australian Leaders Fund Limited since 2003; and• Wilson Investment Fund Limited since 2003. During the past three years was a Director of: <ul style="list-style-type: none">• Mariner Wealth Limited to 2006.
Interest in Shares and Options	- Shares: 553,350 Options: Nil
Special Responsibilities	- Member of Audit and Risk Management Committee

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Directors' Report (Cont'd)

Roy Rose	-	Non-executive Director (from April 2007 to September 2007 was an executive director acting as General Manager of ITL Healthcare Pty Ltd a wholly owned subsidiary of ITL Limited) Age 61
Qualifications	-	Bachelor of Science (Chemistry), Member of Australian Institute of Company Directors
Experience and Directorships held in other listed entities	-	Board member since 1 September 2005. Mr Rose is a chemist and has 30 years experience specialising in general management, operations/production management, international sales and marketing, technology management and corporate governance within many roles at Orica Limited (formally ICI Australia). He is Chair of the CSIRO Niche Manufacturing Flagship Advisory Committee, the immediate past President of the Australian Industrial Research Group and is a former member of the boards of Cooperative Research Centre for Environmental Bio-technology and Qenos Pty Ltd. Mr Rose is not a director of any other ASX listed companies.
Interest in Shares and Options	-	Shares: 650,444 Options: Nil
Special Responsibilities	-	Chair of Audit and Risk Management Committee

William Mobbs	-	Managing Director and Chief Executive Officer Age 49
Qualifications	-	Master of Business Administration, Bachelor of Science, Member of the Australian Institute of Company Directors
Experience and Directorships held in other listed entities	-	Mr Mobbs is a co-founder of the ITL Group and brings over 14 years experience in the medical and healthcare industry. Mr Mobbs has invented many new concepts for a range of innovative medical products and holds many patents. Board member since 1999, joint Managing Director to 27 October 2004 then sole Managing Director and Chief Executive Officer. Mr Mobbs is also a Director of: <ul style="list-style-type: none">• Seeing Machines, which is listed on the London AIM.
Interest in Shares and Options	-	Shares: 23,422,319 Options: Nil

Company Secretary

The Company Secretary, at the end of the financial year, is Ms Sharon Winslade, her qualifications include a Diploma of Business, a Bachelor of Applied Economics, and is a Graduate of the Australian Institute of Company Directors. Ms Winslade was appointed Company Secretary on 8 December 2006.

Mr Greg Lewis has also been appointed Company Secretary. Mr Lewis joined ITL in May 2007 as Chief Financial Officer. He is a Fellow Professional Practice member of the NIA and has significant experience at senior executive levels within manufacturing and distribution within the healthcare industry.

Directors' Meetings

During the financial year 16 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	12	12	4	4
Richard England	3	3	2	2
Roy Rose	12	12	4	4
William Mobbs	12	12	-	-

Directors' Report (Cont'd)

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 director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering short and long-term incentives based on key performance areas affecting the consolidated group'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 directors to run and manage the consolidated group, as well as create goal congruence between the directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the consolidated group 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 (where stated), performance incentives and are eligible to participate in the share option plan program.
- The board reviews executive packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

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 consolidated group's profits and shareholders' value. All bonuses and incentives are 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.

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

The Australian 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.

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the consolidated group. However, to align directors' interests with shareholder interests, the director's are encouraged to hold shares in the company. The Managing Director is able to participate in future share option plan programs, when offered by the Company.

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.

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Directors' Report (Cont'd)

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. In certain exceptional circumstances, the board may take account of other factors impacting on the year's results as well as the extent to which other business objectives have been achieved.

Executives were eligible to earn short term incentive bonuses of between 20% and 30% of total fixed remuneration. The Managing Director was eligible to earn a 40% short term incentive bonus. Bonuses in respect of any year are paid early in the next year following the finalisation of the audited accounts.

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

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives.

The following table shows the gross revenue, EBITDA*, profits, share price and dividends for the last four years for the listed entity. The Directors have paid dividends of \$0.005 during the financial year ended 30 June 2008.

	2005	2006	2007	2008
Revenue	\$24.2m	\$31.3m	\$35.3m	\$38.7m
EBITDA*	\$2.7m	\$4.9m	\$3.7m	\$2.7m
Net Profit/(loss)	(\$0.1m)	\$3.3m	\$1.7m	\$0.8m
Share Price at year-end	\$0.175	\$0.34	\$0.375	\$0.10
Dividends Paid (per share)	Nil	Nil	\$0.015	\$0.005

* Earnings before interest, tax, depreciation and amortisation (also excludes certain one-off expenses not relevant to the operations of the business)

Key Management Personnel Remuneration

The remuneration for each director and the key management personnel of the consolidated entity considered key to the operations during the year was as follows:

2008:	Salary, and Commissions	Directors Fees	Super-annuation Contribution	Performance based Bonus	Non-cash Benefits	Allowances	Total
	\$		\$	\$	\$	\$	\$
Directors							
Julian Gosse	-	125,000	-	-	-	-	125,000
Roy Rose *	82,239	55,046	12,355	-	-	-	149,640
Richard England	-	19,878	1,789	-	-	-	21,667
Bill Mobbs	290,826	50,000	26,174	-	-	33,000	400,000
Total	373,065	249,924	40,318	-	-	33,000	696,307
Key Management Personnel							
Greg Lewis	173,435	-	18,165	-	-	28,400	220,000
Tony Irvine *	131,863	-	11,868	10,000	-	-	153,731
Dato Foo Chee Kim #	111,540	-	-	-	-	20,280	131,820
Stephanie Norrell #	212,477	-	-	33,549	-	10,400	256,426
Craig Wilson	127,202	-	12,798	32,550	-	15,000	187,550
Narinder Kanda #	124,253	-	37,167	36,750	-	50,000	248,170
Total	880,770	-	79,998	112,849	-	124,080	1,197,697

* Roy Rose was an executive director from 1/4/07 until 23/9/07 acting as General Manager of ITL Healthcare business. Tony Irvine was appointed at 24/9/07.

Several officers of the consolidated group are paid in foreign currencies and these amounts are in the Australian Dollar equivalents using an average exchange rate for the year.

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Directors' Report (Cont'd)

2007:	Salary, and Commi- ssions \$	Directors Fees	Super- annuation Contri- bution \$	Perform- ance based Bonus \$	Non- cash Benefit s \$	Allowances \$	Total \$
Directors							
Julian Gosse	-	125,000	-	-	-	-	125,000
Roy Rose *	5,000	45,872	32,120	-	-	-	82,992
Richard England	-	59,633	5,367	-	-	-	65,000
Bill Mobbs	290,826	50,000	26,174	-	13,240	33,000	413,240
Total	295,826	280,505	63,661	-	13,240	33,000	686,232

Key Management

Personnel

Greg Lewis	16,819	-	1,514	-	-	-	18,333
Tony Irvine	-	-	-	-	-	-	-
Dato Foo Chee Kim #	107,970	-	-	32,391	-	21,594	161,955
Stephanie Norrell #	235,862	-	2,359	38,248	-	7,650	284,119
Craig Wilson	122,615	-	12,385	15,000	-	15,000	165,000
Narinder Kanda	160,550	-	14,450	10,000	-	-	185,000
Total	643,816	-	30,708	95,639	-	44,244	814,407

* Roy Rose was an executive director from 1/4/07 until 23/9/07 acting as General Manager of ITL Healthcare business. Tony Irvine was appointed at 24/9/07.

Several officers of the consolidated group are paid in foreign currencies and these amounts are in the Australian Dollar equivalents using an average exchange rate for the year.

Performance Income as a Proportion of Total Remuneration

Executive directors and executives are paid performance based bonuses on proportions of their salary. The board has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the consolidated group.

The board will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit to ensure use of the most cost effective and efficient methods.

Options Issued as Part of Remuneration for the Year Ended 30 June 2008

Options, as part of the employee share option plan, were issued to executives as part of their remuneration during the year. When issued, options are not issued based on performance criteria, but are issued to all executives of ITL Limited to increase goal congruence between executives and shareholders.

Options granted to key management personnel during the financial year or unexercised at the end of the financial year are listed below (for terms and conditions see note 34):

Key Management Personnel	Balance 1/7/2007	Granted as Comp- ensation	Options Exercised	Net Change Other	Balance 30/6/08	Total Vested	Total Exercisable 30/6/08	Total Un- exercisable 30/6/08
Greg Lewis	-	400,000	-	-	400,000	-	-	400,000
Tony Irvine	-	150,000	-	-	150,000	-	-	150,000
Dato Foo Chee Kim	-	150,000	-	-	150,000	-	-	150,000
Stephanie Norrell	-	150,000	-	-	150,000	-	-	150,000
Craig Wilson	-	150,000	-	-	150,000	-	-	150,000
Narinder Kanda	-	400,000	-	-	400,000	-	-	400,000
	-	1,400,000	-	-	1,400,000	-	-	1,400,000

ITL Limited and Controlled Entities

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Directors' Report (Cont'd)

Employment Contracts of Directors and Senior Executives

The employment conditions of the Managing Director Mr Mobbs and senior executives are formalised in contracts of employment. Mr Mobbs is employed under a fixed four-year contract, which commenced on 1 July 2005 and expires on 1 July 2009. Dato Foo Chee Kim has a 3 year contract expiring 20 January 2009. All other executives are permanent employees of ITL Limited.

The company may terminate an employee contract without cause by providing 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.

Indemnifying Directors and Officers

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:

The company has entered into Deeds of Access and Indemnity with all Directors and Officers. The group indemnifies each Director, maintains an insurance policy in favour of each Director and grants access to the records of the company.

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 \$58,134 for all Directors and Officers.

Options

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

Grant Date	Date of Expiry	Exercise Price	Number under Option
23 May 2008	30 September 2011	\$0.3675	250,000
23 May 2008	28 May 2011	\$0.20	250,000
23 May 2008	22 May 2012	\$0.20	1,200,000
			<hr/> 1,700,000

No share options were exercised during the year ended 30 June 2008.

Proceedings on Behalf of Company

ITL Asia Pacific Sdn Bhd has two cases of industrial disputations for ex-employees in Malaysia. Other than these cases, no person has applied for leave to bring proceedings in Court 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.

Non-audit Services

The board of directors, in accordance with advice from the audit and risk 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 and risk 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 in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

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Directors' Report (Cont'd)

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2008:

	\$
Taxation services	57,693
Other	-
Total non-audit services	<u>57,693</u>

Auditor's Independence Declaration

The lead auditor's independence declaration by the auditor under section 307C of the Corporations Act 2001 for the year ended 30 June 2008 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.

This report is signed in accordance with a resolution of the Board of Directors.



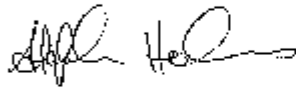
Julian Gosse
Director

Dated this 25th day of August 2008

**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 2008 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.



Stephen Holmes
Registered Company Auditor
WalterTurnbull

Canberra ACT
25 August 2008

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Income Statement

for the year ended 30 June 2008

	Note	Consolidated Group		Parent Entity	
		2008 \$	2007 \$	2008 \$	2007 \$
Revenue	2	38,707,695	35,283,380	1,206,245	3,683,125
Cost of Sales	3	(24,722,566)	(21,195,700)	-	(36)
Employee benefits expense		(6,778,005)	(5,780,789)	(1,693,366)	(1,747,153)
Depreciation and amortisation expense	3	(843,849)	(787,344)	(239,205)	(178,109)
Finance costs	3	(642,717)	(296,759)	(70,323)	(5,095)
Consultants		(247,500)	(443,935)	(35,672)	(175,938)
Legal fees and litigation expenses (net of settlement received)	3	188,048	(377,381)	250,787	(276,740)
Office expenses		(1,262,385)	(1,173,669)	(201,589)	(162,535)
Travel and accommodation		(913,788)	(1,169,615)	(193,072)	(329,770)
Communication and marketing		(832,470)	(896,203)	(85,474)	(184,097)
Accounting and audit		(197,437)	(185,675)	(178,879)	(146,839)
Business insurances expense		(179,874)	(138,326)	(59,916)	(57,262)
Regulatory and QA expense		(159,760)	(125,572)	-	-
Currency gains/(losses)	3	(432,435)	(361,776)	(169,527)	(79,848)
Product related expenses		(169,547)	(93,240)	-	-
Restructuring expenses	3	(631,808)	-	(40,388)	-
Other expenses		(95,256)	(113,976)	(89,618)	(225,795)
Profit/(loss) before income tax expense		786,346	2,143,420	(1,599,997)	113,908
Income tax (expense)/benefit	5	(22,713)	(400,503)	478,179	(36,094)
Profit/(Loss) attributable to ITL Limited's Shareholders		763,633	1,742,917	(1,121,818)	77,814
Basic earnings per share (cents per share)	8	0.006	0.016	-	-
Diluted earnings per share (cents per share)	8	0.006	0.016	-	-

The accompanying notes form part of these financial statements

ITL Limited and Controlled Entities
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Balance Sheet

as at 30 June 2008

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
			\$		\$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	9	3,446,015	9,038,230	2,723,517	8,111,458
Trade and other receivables	10	6,738,306	6,697,533	142,860	309,228
Inventories	11	9,361,301	7,889,116	-	-
Financial assets	12	-	110,000	-	110,000
Other current assets	13	681,046	839,543	218,521	57,653
TOTAL CURRENT ASSETS		20,226,668	24,574,422	3,084,898	8,588,339
NON-CURRENT ASSETS					
Property, plant and equipment	14	9,608,115	8,328,448	1,528,468	1,406,307
Product tooling and development	15	10,341,599	8,953,405	-	-
Intangible assets	16	17,239,412	11,155,484	792,498	481,099
Financial assets	17	-	-	13,461,244	12,477,219
Trade and other receivables	18	-	-	14,289,522	10,744,039
TOTAL NON-CURRENT ASSETS		37,189,126	28,437,337	30,071,732	25,108,664
TOTAL ASSETS		57,415,794	53,011,759	33,156,630	33,697,003
CURRENT LIABILITIES					
Trade and other payables	19	4,139,948	4,645,148	321,792	408,413
Financial liabilities	20	4,992,896	3,004,062	272,371	66,184
Current tax liabilities	21	40,502	(38,049)	-	-
Short-term provisions	22	591,284	648,798	237,534	281,375
TOTAL CURRENT LIABILITIES		9,764,630	8,259,959	831,697	755,972
NON-CURRENT LIABILITIES					
Trade and other payables	19	1,216,800	-	-	-
Financial liabilities	20	4,171,665	3,539,150	554,699	299,952
Deferred tax liabilities	21	184,807	267,995	27,695	402,374
Long-term provisions	22	65,990	33,256	65,990	33,256
Other non-current liabilities	23	3,095,183	2,654,968	-	-
TOTAL NON-CURRENT LIABILITIES		8,734,445	6,495,369	648,384	735,582
TOTAL LIABILITIES		18,499,075	14,755,328	1,480,081	1,491,554
NET ASSETS		38,916,719	38,256,431	31,676,549	32,205,449
EQUITY					
Issued capital	24	38,956,634	38,024,014	38,956,634	38,024,014
Reserves		(977,700)	(561,446)	696,286	416,277
Retained earnings		937,785	793,863	(7,976,371)	(6,234,842)
TOTAL EQUITY		38,916,719	38,256,431	31,676,549	32,205,449

The accompanying notes form part of these financial statements

ITL Limited and Controlled Entities
ABN 16 088 212 088

Statement of Changes in Equity
for the year ended 30 June 2008

Consolidated Group	Note	Issued Capital	Foreign Currency Translation Reserve	Asset Revaluation Reserve	Retained Earnings	Total
		\$	\$	\$	\$	\$
Balance at 1 July 2006		28,103,050	(409,236)	416,277	896,613	29,006,704
Shares issued during the year		9,920,964	-	-	-	9,920,964
Costs of capital raising		-	-	-	(264,368)	(264,368)
Dividends paid	7	-	-	-	(1,581,299)	(1,581,299)
Profit attributable to ITL Limited's Shareholders		-	-	-	1,742,917	1,742,917
Revaluation increment		-	-	-	-	-
Adjustments from translation of foreign controlled entities		-	(568,487)	-	-	(568,487)
Balance at 30 June 2007		38,024,014	(977,723)	416,277	793,863	38,256,431
Shares issued during the year		932,620	-	-	-	932,620
Costs of capital raising		-	-	-	(3,650)	(3,650)
Dividends paid	7	-	-	-	(616,061)	(616,061)
Profit attributable to ITL Limited's Shareholders		-	-	-	763,633	763,633
Revaluation increment		-	-	299,776	-	299,776
Adjustments from translation of foreign controlled entities		-	(716,030)	-	-	(716,030)
Balance at 30 June 2008		38,956,634	(1,693,753)	716,053	937,785	38,916,719
Parent Entity		Issued Capital	Asset Revaluation Reserve	Retained Earnings	Total	
		\$	\$	\$	\$	
Balance at 1 July 2006		28,103,050	416,277	(4,466,989)	24,052,338	
Shares issued during the year		9,920,964	-	-	9,920,964	
Costs of capital raising		-	-	(264,368)	(264,368)	
Dividends paid	7	-	-	(1,581,299)	(1,581,299)	
Profit attributable to ITL Limited's Shareholders		-	-	77,814	77,814	
Revaluation increment		-	-	-	-	
Balance at 30 June 2007		38,024,014	416,277	(6,234,842)	32,205,449	
Shares issued during the year		932,620	-	-	932,620	
Costs of capital raising		-	-	(3,650)	(3,650)	
Dividends paid	7	-	-	(616,061)	(616,061)	
(Loss) attributable to ITL Limited's Shareholders		-	-	(1,121,818)	(1,121,818)	
Revaluation increment		-	280,009	-	280,009	
Balance at 30 June 2008		38,956,634	696,286	(7,976,371)	31,676,549	

The accompanying notes form part of these financial statements

ITL Limited and Controlled Entities
ABN 16 088 212 088

Cash Flow Statement

for the year ended 30 June 2008

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from grants and customers		41,510,956	38,281,479	327,500	3,705
Payments to suppliers		(29,497,052)	(23,336,681)	-	(40)
Payment of expenses and wages		(12,529,448)	(11,994,286)	(3,181,665)	(1,934,856)
Interest received		442,695	149,758	419,496	102,206
Borrowing costs		(642,717)	(296,759)	(70,323)	(5,095)
Income tax (paid)/refunded		(130,850)	(288,071)	-	-
Net cash provided by/(used in) operating activities	27(a)	(846,416)	2,515,440	(2,504,992)	(1,834,080)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds on sale of shares		101,653	10,037	101,653	10,037
Proceeds on sale of assets		-	2,435	-	-
Payment for product tooling and development		(2,379,932)	(3,149,526)	-	-
Payment for property, plant and equipment		(1,612,713)	(5,299,160)	(352,597)	(514,188)
Payment for Patent and IP		(33,035)	(47,769)	-	-
Payment for business development software		(415,776)	(481,099)	(411,762)	(481,099)
Deposit on purchase of assets			(499,770)	-	-
Payment for business acquisitions, net of cash acquired	27(b)	(2,540,254)	(848,071)	(14,125)	-
Net cash (used in) investing activities		(6,880,057)	(10,312,923)	(676,831)	(985,250)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		-	8,930,000	-	8,930,000
Payment for equity raising cost		(3,650)	(264,368)	(3,650)	(264,368)
Payment for dividends		(483,441)	(657,485)	(483,441)	(657,485)
Proceeds from borrowings		2,161,971	3,432,372	909,849	378,344
Repayments of borrowings		(1,025,282)	(496,075)	(448,915)	(12,208)
Loan to group/(loans repaid)		-	-	(2,179,961)	768,310
Net cash provided by/(used in) financing activities		649,598	10,944,444	(2,206,118)	9,142,593
Net decrease in cash held		(7,076,875)	3,146,961	(5,387,941)	6,323,263
Cash at beginning of year	9	6,583,294	3,436,333	8,111,458	1,788,195
Cash at end of year	9	(493,581)	6,583,294	2,723,517	8,111,458

The accompanying notes form part of these financial statements

ITL Limited and Controlled Entities

ABN 16 088 212 088

Notes to the financial statements for the year ended 30 June 2008

Note 1: Statement of Significant Accounting Policies

This financial report includes the consolidated financial statements and notes of ITL Limited and controlled entities ('Consolidated Group' or 'Group'), and the separate financial statements and notes of ITL Limited as an individual parent entity ('Parent Entity').

Basis of Preparation

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Principles of Consolidation

A controlled entity is any entity over which ITL Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 29 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

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

Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

(b) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

ITL Limited and Controlled Entities

ABN 16 088 212 088

Notes to the financial statements for the year ended 30 June 2008

Note 1: Basis of preparation (cont'd)

(b) Income Tax (cont'd)

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. 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 assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation

ITL Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity.

The group has previously notified the Australian Tax Office that it had formed an income tax consolidated group. The tax consolidated group has entered a tax funding arrangement whereby each company in the group contributes to the income tax payable by the group in proportion to their contribution to the group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

Notes to the financial statements for the year ended 30 June 2008**Note 1: Basis of preparation (cont'd)****(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 weighted average costs.

(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 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 assets 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 revalued amount of the asset.

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 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 consolidated group 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.

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 consolidated group 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%
Land & buildings	2 - 2.5%
Furniture & fittings	10 - 20%
Leasehold improvements	10 - 25%
Computer & office equipment	10 - 33.33%
Computer software	20 - 33.33%
Motor vehicles	15%
Product development	5 - 33.33%
Product tools, production, QA and Lab equipment	10 - 33.33%

Notes to the financial statements for the year ended 30 June 2008

Note 1: Basis of preparation (cont'd)

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

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 consolidated group, 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 the shorter of their estimated useful lives or the lease term. 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 and initial measurement

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.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

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.

Notes to the financial statements for the year ended 30 June 2008

Note 1: Basis of preparation (cont'd)

(f) Financial Instruments (cont'd)

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.

ITL Limited and Controlled Entities designates certain derivatives as either:

- i. hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- ii. hedges of highly probably forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions is documented. Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items are also documented.

i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedge asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in the hedge reserve in equity are transferred to the income statement in the periods when the hedged item will affect profit or loss.

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.

Financial Guarantees

Where material, financial guarantees issued, which requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

Notes to the financial statements for the year ended 30 June 2008

Note 1: Basis of preparation (cont'd)

(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 consolidated group has no associates, all entities are 100% owned.

(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. This assessment is carried out by the R&D Committee (consisting of high level management) which meets on a regular basis.

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.

Notes to the financial statements for the year ended 30 June 2008

Note 1: Basis of preparation (cont'd)

(j) Foreign Currency Transactions and Balances (cont'd)

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.

(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.

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. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

Equity-settled compensation

The group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(l) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) Cash and Cash Equivalents

Cash and cash equivalents include 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.

Notes to the financial statements for the year ended 30 June 2008

Note 1: Basis of preparation (cont'd)

(n) 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).

(o) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(p) 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.

(q) 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.

(r) Comparative figures

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

Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of goodwill (carrying value \$15,844,974) for the year ended 30 June 2008.

The financial report was authorised for issue on the 22nd of August 2008 by the Board of Directors.

Notes to the financial statements for the year ended 30 June 2008

	Consolidated Group 2008 \$	Consolidated Group 2007 \$	Parent Entity 2008 \$	Parent Entity 2007 \$
Note 2: Revenue				
Sale of goods	38,210,617	34,996,950	-	-
Interest received	424,323	193,375	398,904	124,062
Revenue from grants	-	-	-	-
Rental revenue	-	3,333	-	3,333
Corporate office recharge	-	-	804,606	3,540,693
Other	72,755	74,685	2,735	-
	<u>38,707,695</u>	<u>35,268,343</u>	<u>1,206,245</u>	<u>3,668,088</u>
Other income - Gains on listed investments	-	15,037	-	15,037
Total Revenue	<u>38,707,695</u>	<u>35,283,380</u>	<u>1,206,245</u>	<u>3,683,125</u>
Note 3: Profit for the Year				
Expenses				
Cost of sales	24,751,778	21,282,966	-	36
Write down of inventories	(29,212)	(87,266)	-	-
	<u>24,722,566</u>	<u>21,195,700</u>	-	<u>36</u>
Depreciation of non-current assets:				
Land & buildings	47,636	54,710	19,259	19,250
Furniture & fittings	57,876	51,492	3,671	2,252
Computer & office equipment	157,197	178,773	55,382	44,555
Leasehold improvements	52,491	71,524	6,698	724
Computer software	168,787	142,019	154,195	111,328
Motor vehicle	6,368	7,619	-	-
Product tools	598,725	356,420	-	-
Production, QA and lab equipment	13,871	17,322	-	-
Total depreciation	<u>1,102,951</u>	<u>879,879</u>	<u>239,205</u>	<u>178,109</u>
Amortisation of non-current assets:				
- Product design	123,019	121,195	-	-
- Patents and trademarks	155,102	153,317	-	-
Total amortisation	<u>278,121</u>	<u>274,512</u>	-	-
Total Depreciation and Amortisation	<u>1,381,072</u>	<u>1,154,391</u>	<u>239,205</u>	<u>178,109</u>
Less: Depreciation included in cost of sales	(537,223)	(367,047)	-	-
Depreciation and amortisation expense	<u>843,849</u>	<u>787,344</u>	<u>239,205</u>	<u>178,109</u>
Borrowing costs – external	<u>642,717</u>	<u>296,759</u>	<u>70,323</u>	<u>5,095</u>
Legal fees	71,578	91,067	10,845	-
Litigation expenses	67,874	286,314	65,868	276,740
Settlements received	(327,500)	-	(327,500)	-
Litigation expenses (net of settlement received)	<u>(188,048)</u>	<u>377,381</u>	<u>(250,787)</u>	<u>276,740</u>
Foreign currency translation losses/(gains)	<u>432,435</u>	<u>361,776</u>	<u>169,527</u>	<u>79,848</u>
Non-performing asset write-off	271,360	-	-	-
Redundancies	193,440	-	-	-
Obsolete stock write off	74,671	-	-	-
Adjustments to grant assets/liabilities	51,949	-	-	-
Write-off of old accounting software	40,388	-	40,388	-
Restructuring expenses	<u>631,808</u>	<u>-</u>	<u>40,388</u>	<u>-</u>
Rental expense on operating leases:				
- minimum lease payments	<u>508,204</u>	<u>557,783</u>	-	-

Notes to the financial statements for the year ended 30 June 2008

Note 4: Key Management Personnel Compensation

(a) **Names and positions held of consolidated group and parent entity key management personnel in office at any time during the financial year are:**

Key Management Person	Position
Julian Gosse	Chairman – Non-Executive
Richard England	Director – Non-Executive (Retired at the AGM on 23 October 2007)
Roy Rose	Director – Non-Executive
William Mobbs	Director – Executive Chief Executive Officer
Greg Lewis	Chief Financial Officer and Company Secretary
Tony Irvine	General Manager ITL Healthcare Pty Ltd (appointed 24 September 2007)
Dato Foo Chee Kim	Managing Director ITL Healthcare SEA Sdn Bhd Vice President Sales – South East Asia
Stephanie Norrell	Managing Director – ITL North America Inc. Vice President Sales – Americas and Europe
Craig Wilson	Vice President of Design and OEM
Narinder Kanda	Managing Director ITL Asia Pacific Sdn Bhd Vice President of ITL Asia Pacific Manufacturing

(b) **Options and Rights Holdings**

Number of Options Held by Key Management Personnel

Key Management Personnel	Balance 1/7/2007	Granted as Compensation	Options Exercised	Net Change Other	Balance 30/6/08	Total Vested	Total Exercisable 30/6/08	Total Un-exercisable 30/6/08
Greg Lewis	-	400,000	-	-	400,000	-	-	400,000
Tony Irvine	-	150,000	-	-	150,000	-	-	150,000
Dato Foo Chee Kim	-	150,000	-	-	150,000	-	-	150,000
Stephanie Norrell	-	150,000	-	-	150,000	-	-	150,000
Craig Wilson	-	150,000	-	-	150,000	-	-	150,000
Narinder Kanda	-	400,000	-	-	400,000	-	-	400,000
	-	1,400,000	-	-	1,400,000	-	-	1,400,000

(c) **Shareholdings**

Number of Shares held or controlled by Directors and Key Management Personnel:

Key Management Personnel	Balance 1/7/07	Received as Compensation	Options Exercised	Net Change other*	Balance 30/6/08
Julian Gosse	450,000	-	-	103,350	553,350
Roy Rose	639,987	-	-	10,457	650,444
Richard England	626,984	-	-	10,245	637,229
William Mobbs	23,252,874	-	-	169,445	23,422,319
Greg Lewis	-	-	-	-	-
Tony Irvine	-	-	-	43,570	43,570
Dato Foo Chee Kim	1,766,057	-	-	28,857	1,794,914
Stephanie Norrell	1,094,000	-	-	(20,000)	1,074,000
Craig Wilson	332,578	-	-	47,065	379,643
Narinder Kanda	363,600	-	-	-	363,600
	28,526,080	-	-	392,989	28,919,069

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

Notes to the financial statements for the year ended 30 June 2008

	Consolidated Group 2008 \$	Consolidated Group 2007 \$	Parent Entity 2008 \$	Parent Entity 2007 \$
Note 5: Income Tax Expense				
a. The components of tax expense comprise:				
Current tax	209,401	83,451	-	-
Deferred tax	(174,877)	199,779	(478,179)	37,451
(Over)/under provision in respect of prior years	(11,811)	24,722	-	(1,357)
Benefit from previously unrecognised (tax loss or tax credit or temporary difference or other) used to reduce current tax expense	-	92,551	-	-
	22,713	400,503	(478,179)	36,094
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax payable/(benefit) on profit before income tax				
- economic entity	190,583	643,026	-	-
- parent entity (30%)	-	-	(479,999)	34,172
	190,583	643,026	(479,999)	34,172
Add:				
Tax effect of:				
- other non-allowable items	68,998	48,613	1,820	797
- non-deductible entertainment	-	3,141	-	2,482
- under provision for income tax in prior years	-	24,722	-	-
	259,581	719,502	(478,179)	37,451
Less:				
Tax effect of:				
- other allowable items	-	(415,886)	-	-
- deferred tax asset not previously recognised	(226,286)	92,551	-	-
- Over provision for income tax in prior years	(11,811)	-	-	(1,357)
- Deferred tax asset not recognised	1,229	4,336	-	-
	-	-	-	-
Income tax attributable to entity	22,713	400,503	(478,179)	36,094
The applicable weighted average effective tax rates are as follows:	2.9%	18.7%		

The consolidated group operates in a multi-jurisdictional tax environment which makes meaningful comparison of weighted average effective tax rates difficult. The consolidated group has carried forward tax losses for its Australian operations and tax payable for one of its foreign subsidiaries.

It is anticipated that the consolidated group's tax position will normalise within the next few years.

Notes to the financial statements for the year ended 30 June 2008

	Consolidated Group 2008	Consolidated Group 2007	Parent Entity 2008	Parent Entity 2007
	\$	\$	\$	\$
Note 6: Auditors' Remuneration				
Remuneration of the auditor of the parent entity for:				
- auditing or reviewing the financial report	117,000	78,000	117,000	78,000
- taxation services	57,693	54,290	57,693	54,290
- other services*	1,200	1,550	1,200	1,550
Remuneration of other auditors of subsidiaries for:				
- auditing or reviewing the financial report of subsidiaries	11,926	20,800	-	-
- due diligence for potential acquisitions	4,186	2,970	4,186	2,970
	<u>192,005</u>	<u>157,610</u>	<u>180,079</u>	<u>136,810</u>

* These services relate to a product development project and therefore have been capitalised in the period charged

Note 7: Dividends

Distributions paid

1 cent dividend paid on 5 October 2006	-	1,048,637	-	1,048,637
0.5 cent dividend paid on 3 April 2007	-	532,662	-	532,662
0.5 cent dividend paid on 16 October 2007	616,061	-	616,061	-
	<u>616,061</u>	<u>1,581,299</u>	<u>616,061</u>	<u>1,581,299</u>
a. Proposed final fully franked ordinary dividend of 0.25 (2007: 0.5) cents per share franked at the tax rate of 30%	329,113	616,060	329,113	616,060
b. Balance of franking account at year end	1,245,920	1,509,959	1,245,920	1,509,959
c. Subsequent to year-end, the franking account would be reduced by the proposed dividend reflected per (a) as follows:	(141,048)	(264,026)	(141,048)	(264,026)
	<u>1,104,872</u>	<u>1,245,933</u>	<u>1,104,872</u>	<u>1,245,933</u>

Note 8: Earnings per Share

Earnings per share is calculated based on the operating profit after income tax	763,633	1,742,917	-	-
Weighted average number of ordinary shares used in the calculation of basic EPS	124,260,663	108,630,377	-	-
Weighted average number of options outstanding	176,503	645,479	-	-
Weighted average number of ordinary shares used in the calculation of dilutive EPS	<u>124,437,166</u>	<u>109,275,856</u>	-	-

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Notes to the financial statements for the year ended 30 June 2008

	Consolidated Group 2008 \$	Consolidated Group 2007 \$	Parent Entity 2008 \$	Parent Entity 2007 \$
Note 9: Cash and cash equivalents				
Cash on hand	3,171	3,613	500	500
Cash at bank	3,442,844	9,034,617	2,723,017	8,110,958
	3,446,015	9,038,230	2,723,517	8,111,458

The effective interest rate on short-term bank deposits was 7.9%; these deposits have an average maturity of 60 days.

Reconciliation of cash

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

Cash and cash equivalents	3,446,015	9,038,230	2,723,517	8,111,458
Bank overdrafts (note 20)	(3,939,596)	(2,454,936)	-	-
	(493,581)	6,583,294	2,723,517	8,111,458

Note 10: Trade and other receivables

Current

Trade receivables	6,083,846	6,230,134	108,962	276,885
Other receivables	(69,259)	(269,634)	(75)	(75,000)
Accrued revenue	786,459	783,804	23,025	43,617
GST and other tax	(62,740)	(46,771)	10,948	63,726
	6,738,306	6,697,533	142,860	309,228

Note 11: Inventories

Current

At cost

Raw materials and stores	4,175,311	2,873,802	-	-
Work in progress	-	600,651	-	-
Finished goods	5,185,990	4,414,663	-	-
	9,361,301	7,889,116	-	-

Note 12: Financial assets

Current

Available for sale financial assets:

- Shares in listed corporations, at fair value	-	110,000	-	110,000
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Available for sale financial assets comprised of an investment in the ordinary issued capital of an entity. There were no fixed returns or fixed maturity date attached to this investment.

Note 13: Other current assets

Deposits to suppliers	287,882	586,173	-	-
Prepayments	393,164	253,370	218,521	57,653
	681,046	839,543	218,521	57,653

Notes to the financial statements for the year ended 30 June 2008

	Consolidated Group 2008 \$	Consolidated Group 2007 \$	Parent Entity 2008 \$	Parent Entity 2007 \$
Note 14: Property, plant and equipment				
Land and buildings				
Leasehold land at cost	1,525,643	1,639,711	-	-
Less: accumulated depreciation	(27,151)	(10,811)	-	-
Total leasehold land	<u>1,498,492</u>	<u>1,628,900</u>	-	-
Buildings at cost	407,217	311,697	-	-
Less: accumulated depreciation	(8,222)	(520)	-	-
Total buildings at cost	<u>398,995</u>	<u>311,177</u>	-	-
Land and buildings at valuation	2,207,000	1,922,715	1,115,000	770,000
Less: accumulated depreciation	(1,790)	(42,320)	-	(19,250)
Total land and buildings at valuation	<u>2,205,210</u>	<u>1,880,395</u>	<u>1,115,000</u>	<u>750,750</u>
Total land and buildings	<u>4,102,697</u>	<u>3,820,472</u>	<u>1,115,000</u>	<u>750,750</u>
Plant and equipment				
Furniture & fittings at cost	431,082	625,330	25,935	191,198
Less : accumulated depreciation	(167,145)	(338,703)	(10,031)	(180,921)
Total furniture & fittings	<u>263,937</u>	<u>286,627</u>	<u>15,904</u>	<u>10,277</u>
Computer & office equipment at cost	1,079,086	1,003,212	254,851	154,204
Less : accumulated depreciation	(736,919)	(708,115)	(101,647)	(89,668)
Total computer & office equipment	<u>342,167</u>	<u>295,097</u>	<u>153,204</u>	<u>64,536</u>
Building improvements at cost	5,260,856	3,867,957	252,071	490,348
Less : accumulated depreciation	(382,116)	(94,469)	(7,711)	(1,012)
Total building improvements	<u>4,878,740</u>	<u>3,773,488</u>	<u>244,360</u>	<u>489,336</u>
Computer software at cost	-	524,506	-	347,797
Less : accumulated depreciation	-	(400,656)	-	(256,389)
Total computer software at cost	<u>-</u>	<u>123,850</u>	<u>-</u>	<u>91,408</u>
Motor vehicles at cost	50,402	55,093	-	-
Less : accumulated depreciation	(29,828)	(26,179)	-	-
Total motor vehicles at cost	<u>20,574</u>	<u>28,914</u>	<u>-</u>	<u>-</u>
Total plant and equipment	<u>5,505,418</u>	<u>4,507,976</u>	<u>413,468</u>	<u>655,557</u>
Total property, plant and equipment	<u>9,608,115</u>	<u>8,328,448</u>	<u>1,528,468</u>	<u>1,406,307</u>

The group's land and buildings were revalued during the year ended 30 June 2008 by independent valuers. Valuations were made on the basis of open market value. The revaluation surplus net of applicable deferred income taxes was credited to an asset revaluation reserve in shareholders' equity.

Notes to the financial statements for the year ended 30 June 2008

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	Transfer	Revaluation increment / (decrement)	Foreign exchange gain/(loss)	Depreciation expense	Disposals	Balance at the end of year
	\$	\$	\$	\$	\$	\$	\$	\$
Consolidated Group								
Leasehold Land	1,628,900	25,556	-	-	(137,265)	(18,699)	-	1,498,492
Buildings	311,177	122,061	-	-	(25,851)	(8,393)	-	398,995
Land & buildings	1,880,395	-	-	461,388	(134,864)	(1,709)	-	2,205,210
Furniture & Fittings	286,627	51,236	-	-	(15,361)	(57,869)	(696)	263,937
Computer & office Equipment	295,097	211,748	-	-	(7,701)	(156,977)	-	342,167
Leasehold Improvements	3,773,488	1,386,156	-	-	200,508	(304,081)	(177,331)	4,878,740
Computer software	123,850	-	(123,850)	-	-	-	-	-
Motor Vehicle	28,914	-	-	-	(1,972)	(6,368)	-	20,574
Total	8,328,448	1,796,757	(123,850)	461,388	(122,505)	(554,096)	(178,027)	9,608,115
Parent Entity								
Land & buildings	750,750	-	-	383,509	-	(19,259)	-	1,115,000
Furniture & Fittings	10,277	9,298	-	-	-	(3,671)	-	15,904
Computer & office Equipment	64,536	144,050	-	-	-	(55,382)	-	153,204
Leasehold Improvements	489,336	132,095	(370,373)	-	-	(6,698)	-	244,360
Computer software	91,408	-	(91,408)	-	-	-	-	-
Total	1,406,307	285,443	(461,781)	383,509	-	(85,010)	-	1,528,468

(b) Impairment losses

There were no impairment losses recognised in the income statement during the year.

	Consolidated Group 2008	Consolidated Group 2007	Parent Entity 2008	Parent Entity 2007
	\$	\$	\$	\$

Note 15: Product Tooling and Development

Product development:

At cost	9,141,866	7,786,158	-	-
Less : accumulated depreciation	(617,646)	(565,138)	-	-
Total product development	8,524,220	7,221,020	-	-

Total Product development	8,524,220	7,221,020	-	-
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Product tools :

At cost	3,352,521	3,133,683	-	-
Less : accumulated depreciation	(1,597,903)	(1,470,015)	-	-
Total product tools	1,754,618	1,663,668	-	-

Production, QA, lab equipment :

At cost	132,569	131,027	-	-
Less : accumulated depreciation	(69,808)	(62,310)	-	-
Total production, QA and lab equipment	62,761	68,717	-	-

Total product tooling and production	1,817,379	1,732,385	-	-
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Total product tooling and development	10,341,599	8,953,405	-	-
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Notes to the financial statements for the year ended 30 June 2008

Note 15: Product Tooling and Development (Cont'd)

(a) Movements in carrying amounts

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

	Balance at the beginning of year	Additions	Transfer	Foreign exchange gain/(loss)	Depreciation /amortisation Expense	Disposals	Balance at the end of year
	\$	\$	\$	\$	\$	\$	\$
Consolidated Group							
Product development	7,221,020	1,700,945	-	(2,069)	(124,316)	(271,360)	8,524,220
Product tools	1,663,668	666,287	-	(83,640)	(365,271)	(126,426)	1,754,618
Production, QA and lab	68,717	12,699	-	(4,784)	(13,871)	-	62,761
Total	<u>8,953,405</u>	<u>2,379,931</u>	<u>-</u>	<u>(90,493)</u>	<u>(503,458)</u>	<u>(397,786)</u>	<u>10,341,599</u>

(b) Impairment losses

There were no impairment losses recognised in the income statement during the year.

	Consolidated Group 2008	Consolidated Group 2007	Parent Entity 2008	Parent Entity 2007
	\$	\$	\$	\$
Business development software at cost	1,081,242	481,099	939,875	481,099
Less: accumulated amortisation	(270,967)	-	(147,377)	-
	<u>810,275</u>	<u>481,099</u>	<u>792,498</u>	<u>481,099</u>
Patents, trademarks and licenses at cost	1,785,561	1,996,559	-	-
Less : accumulated amortisation	(1,201,398)	(1,290,329)	-	-
	<u>584,163</u>	<u>706,230</u>	<u>-</u>	<u>-</u>
Goodwill at cost	<u>15,844,974</u>	<u>9,968,155</u>	<u>-</u>	<u>-</u>
	<u>17,239,412</u>	<u>11,155,484</u>	<u>792,498</u>	<u>481,099</u>

Intangible assets, other than goodwill, have a finite life. The current charges for intangible assets are included under depreciation and amortisation expense per the income statement. Goodwill has an infinite life.

Business development software owned by the Parent Entity is held as security under a hire purchase lease arrangement see note 20.

(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	Transfer	Foreign exchange gain/(loss)	Amortisation Expense	Disposals	Balance at the end of year
	\$	\$	\$	\$	\$	\$	\$
Consolidated Group							
Business development software	481,099	415,776	123,850	(1,275)	(168,787)	(40,388)	810,275
Patents, trademarks and licenses	706,230	33,035	-	-	(155,102)	-	584,163
Goodwill	9,968,155	5,876,819	-	-	-	-	15,844,974
Total	<u>11,155,484</u>	<u>6,325,630</u>	<u>123,850</u>	<u>(1,275)</u>	<u>(323,889)</u>	<u>(40,388)</u>	<u>17,239,412</u>
Parent Entity							
Business development software	481,099	411,762	91,408	-	(154,195)	(37,576)	792,498

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Notes to the financial statements for the year ended 30 June 2008

Note 16: Intangible assets (Cont'd)

(b) Impairment disclosures

Goodwill is allocated to cash-generating units which are based on the group's reporting segments.

	2008	2007
	\$	\$
Innovative Product Division segment	2,816,180	2,816,180
Hospital Supplies Division segment	13,028,794	7,151,975
Total	15,844,974	9,968,155

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5 or 10 year period with the period extending beyond five years extrapolated using an estimated growth rate. The cash flows are discounted using a yield of 7%.

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets use expected growth rates to project revenue. Costs are calculated taking into account expected gross margins as well as estimated inflation rates over the periods which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks with a particular segment.

Consolidated Group 2008 \$	Consolidated Group 2007 \$	Parent Entity 2008 \$	Parent Entity 2007 \$
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Note 17: Financial Assets

Non-current

Available for sale financial assets:

- Shares in controlled unlisted entities, at cost	-	-	13,461,244	12,477,219
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The fair value of unlisted available-for-sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. Unlisted available-for-sale financial assets exist within active markets and could be disposed of if required. No intention to dispose of any unlisted available-for-sale financial assets existed at 30 June 2008.

Consolidated Group 2008 \$	Consolidated Group 2007 \$	Parent Entity 2008 \$	Parent Entity 2007 \$
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Note 18: Trade and other receivables

Non Current

Amounts receivable from wholly owned subsidiaries

	-	-	14,289,522	10,744,039
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Note 19: Trade and other payables

Current

Unsecured liabilities

Trade payables	1,778,154	2,949,696	68,474	174,354
Sundry payables and accrued expenses	1,141,874	1,695,452	253,318	234,059
IVT/IVM earn-out provisions	1,219,920	-	-	-
	4,139,948	4,645,148	321,792	408,413

Non-current

Unsecured liabilities

IVT/IVM earn-out provisions	1,216,800	-	-	-
	1,216,800	-	-	-

Notes to the financial statements for the year ended 30 June 2008

	Consolidated Group 2008 \$	Consolidated Group 2007 \$	Parent Entity 2008 \$	Parent Entity 2007 \$
Note 20: Financial Liabilities				
Current				
<i>Secured liabilities</i>				
Bank overdrafts	3,939,596	2,454,936	-	-
Bank loans	717,303	260,826	-	-
Hire purchase liability	335,997	288,300	272,371	66,184
	4,992,896	3,004,062	272,371	66,184
Non Current				
<i>Secured liabilities</i>				
Bank loans	3,571,020	3,127,489	-	-
Hire purchase liability	600,645	411,661	554,699	299,952
	4,171,665	3,539,150	554,699	299,952
(a) Total current and non-current secured liabilities:				
Bank overdraft	3,939,596	2,454,936	-	-
Bank loan	4,288,323	3,388,315	-	-
Hire purchase liability (refer note 26 (a))	936,642	699,961	827,070	366,136
	9,164,561	6,543,212	827,070	366,136
(b) The carrying amounts of non-current assets pledged as security are:				
First mortgage				
Land and buildings	3,000,173	6,460,091	-	-
Hire purchase assets (net liability)	904,005	485,449	-	-
Other assets pledged as security	16,534,703	85,260	-	-
Total assets pledged as security	20,438,881	7,030,800	-	-

(c) The bank overdraft, mortgage loans and other finance facilities of ITL Asia Pacific Sdn Bhd are secured by registered 1st to 3rd legal charge over 4 units one and a half storey detached factories of the subsidiary, 1st to 9th debenture charge over both current & future fixed and floating assets of the overseas subsidiary and a parent entity corporate guarantee.

ITL Healthcare SEA Sdn Bhd has security for its bank overdrafts, bankers' acceptance and trust receipts by fixed charges over third party land and buildings, sinking funds, a fixed and floating charge over the present and future fixed and current assets of the ITL Healthcare SEA Sdn Bhd, joint and several guarantee by the directors of ITL Healthcare SEA Sdn Bhd and a pledge of fixed deposits of ITL Healthcare SEA Sdn Bhd.

ITL Healthcare's long term loans are secured by its leasehold improvements.

ITL Limited's hire purchase assets are secured by the business development software.

(d) ITL Healthcare SEA Sdn Bhd's Hire purchase liability is secured by a guarantee.

	Consolidated Group 2008 \$	Consolidated Group 2007 \$	Parent Entity 2008 \$	Parent Entity 2007 \$
Note 21: Tax				
Liabilities				
Current				
Income tax	40,502	(38,049)	-	-

Notes to the financial statements for the year ended 30 June 2008

Note 21: Tax (Cont'd)

	Opening Balance	Charged to Income	Charged to Equity	Exchange Differences / Other Adj.	Closing Balance
Non-Current					
Consolidated Group					
Deferred Tax Liability					
Property, Plant & Equipment	165,778	(6,083)	-	-	159,695
Future income tax benefits attributable to tax losses	(152,676)	(418,005)	-	-	(570,681)
Other	30,392	648,589	-	-	678,981
Balance at 30 June 2007	43,494	224,501	-	-	267,995
Property, Plant & Equipment	159,696	1,157,655	103,500	-	1,420,851
Future income tax benefits attributable to tax losses	(570,681)	(924,177)	-	-	(1,494,858)
Other	678,980	(420,166)	-	-	258,814
Balance at 30 June 2008	267,995	(186,688)	103,500	-	184,807
Parent					
Deferred Tax Liability					
Property, Plant & Equipment	192,843	3,278	-	-	196,121
Future income tax benefits attributable to tax losses	(152,677)	(9,827)	-	-	(162,504)
Other	325,697	42,643	417	-	368,757
Balance at 30 June 2007	365,863	36,094	417	-	402,374
Property, Plant & Equipment	196,121	107,378	103,500	-	406,999
Future income tax benefits attributable to tax losses	(162,504)	(834,827)	-	-	(997,331)
Other	368,757	249,270	-	-	618,027
Balance at 30 June 2008	402,374	(478,179)	103,500	-	27,695
	Consolidated Group 2008	Consolidated Group 2007	Parent Entity 2008	Parent Entity 2007	
	\$	\$	\$	\$	

Note 22: Provisions

Short-term

Employee benefits	591,284	648,798	237,534	281,375
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Long-term

Employee benefits	65,990	33,256	65,990	33,256
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	Opening balance at 1 July 2007	Additional provisions	Amounts used	Balance at 30 June 2008
	\$	\$	\$	\$
Consolidated Group				
Employee benefits	682,054	333,366	(358,146)	657,274
Parent Entity				
Employee benefits	314,631	30,778	(41,885)	303,524

Provision for long-term employee benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

Notes to the financial statements for the year ended 30 June 2008

	Consolidated Group 2008 \$	Consolidated Group 2007 \$	Parent Entity 2008 \$	Parent Entity 2007 \$
Note 23: Other non-current liabilities				
Deferred TINA R&D grant income	3,095,183	2,654,968	-	-
	3,095,183	2,654,968	-	-

Note 24: Issued Capital

131,645,386 (2007: 123,211,972) fully paid ordinary shares

38,956,634	38,024,014	38,956,634	38,024,014
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a. Ordinary shares

At beginning of reporting period	38,024,014	28,103,050	38,024,014	28,103,050
Shares issued during the period:				
3,550,000 shares issued on 31 August 2006	-	677,150	-	677,150
1,667,812 shares issued on 5 October 2006	-	583,734	-	583,734
680,160 shares issued on 3 April 2007	-	340,080	-	340,080
16,000,000 shares issued on 23 April 2007	-	8,320,000	-	8,320,000
433,414 shares issued on 16 October 2007	132,620	-	132,620	-
8,000,000 shares issued on 27 May 2008	800,000	-	800,000	-
	38,956,634	38,024,014	38,956,634	38,024,014

	No.	No.	No.	No.
At beginning of reporting period	123,211,972	101,314,000	123,211,972	101,314,000
Shares issued during the period:				
3,550,000 shares issued on 31 August 2006	-	3,550,000	-	3,550,000
1,667,812 shares issued on 5 October 2006	-	1,667,812	-	1,667,812
680,160 shares issued on 3 April 2007	-	680,160	-	680,160
16,000,000 shares issued on 23 April 2007	-	16,000,000	-	16,000,000
433,414 shares issued on 16 October 2007	433,414	-	433,414	-
8,000,000 shares issued on 27 May 2008	8,000,000	-	8,000,000	-
	131,645,386	123,211,972	131,645,386	123,211,972

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.

b. Options

- i. For information relating to the ITL Limited share options, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year end, refer to Note 34 Share-based Payments.
- ii. For information relating to share options issued to key management personnel during the financial year, refer to Note 34 Share-based Payments.

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Notes to the financial statements for the year ended 30 June 2008

Note 24: Issued Capital (Cont'd)

c. Capital Management

Management control the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manage the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. This strategy has no specific set gearing ratio at this point. The gearing ratio's for the year ended 30 June 2008 and 30 June 2007 are as follows:

		Consolidated Group 2008	Consolidated Group 2007	Parent Entity 2008	Parent Entity 2007
	Note	\$	\$	\$	\$
Total borrowings	20	9,164,561	6,543,212	827,070	366,136
Less cash and cash equivalents	9	(3,446,015)	(9,038,230)	(2,723,517)	(8,111,458)
Net (cash)/debt		5,718,546	(2,495,018)	(1,896,447)	(7,745,322)
Total equity		38,916,719	38,256,431	31,676,549	32,205,449
Total Capital		44,635,265	35,761,413	29,780,102	24,460,127
Gearing ratio		13%	-7%	-6%	-32%

Note 25: Reserves

(a) Foreign Currency Translation Reserve

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

(b) Asset Revaluation Reserve

The asset revaluation reserve records revaluations of non-current assets.

Notes to the financial statements for the year ended 30 June 2008

	Consolidated Group 2008 \$	Consolidated Group 2007 \$	Parent Entity 2008 \$	Parent Entity 2007 \$
Note 26: Capital and Leasing Commitments				
(a) Hire purchase payables				
Payable				
- not later than 1 year	434,008	329,682	329,533	90,221
- later than 1 year but not later than 5 years	640,094	464,209	625,380	343,583
- later than 5 years	-	-	-	-
Minimum hire purchase payments	1,074,102	793,891	954,913	433,804
Less future finance charges	(137,460)	(93,930)	(127,843)	(67,668)
Total hire purchase liability	<u>936,642</u>	<u>699,961</u>	<u>827,070</u>	<u>366,136</u>
The hire purchase payables on plant and equipment and business development software, commenced at various times throughout the year and have terms from 2 to 5 years. The equipment is being leased from banks and other financial institutions. There are no special conditions attached to these hire purchase agreements.				
(b) Property rent and lease commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements:				
Payable				
- not later than 1 year	492,401	547,506	-	-
- later than 1 year but not later than 5 years	1,030,070	1,522,470	-	-
- later than 5 years	-	-	-	-
	<u>1,522,471</u>	<u>2,069,976</u>	<u>-</u>	<u>-</u>
Property rent and lease commitments are non-cancellable and relate to office premises in Australia and USA. Our Australian properties lease operates for the next 5 years; an option exists to lease the property for a further 5 years.				
(c) Operating lease commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements:				
Payable				
- not later than 1 year	14,874	18,394	5,921	5,921
- later than 1 year but not later than 5 years	16,483	31,357	5,921	11,841
- later than 5 years	-	-	-	-
	<u>31,357</u>	<u>49,751</u>	<u>11,842</u>	<u>17,762</u>
Operating lease relates to office equipment; the terms are due to run out within the next one to 4 years.				
(d) Capital commitments				
Capital expenditure commitments contracted for:				
Payable				
- not later than 1 year	-	163,188	-	-
- later than 1 year but not later than 5 years	-	-	-	-
- later than 5 years	-	-	-	-
	<u>-</u>	<u>163,188</u>	<u>-</u>	<u>-</u>

Notes to the financial statements for the year ended 30 June 2008

	Consolidated Group 2008 \$	Consolidated Group 2007 \$	Parent Entity 2008 \$	Parent Entity 2007 \$
Note 27: Cash Flow Information				
(a) Reconciliation of Cash Flows from Operations with Profit/(loss) after Income Tax				
Profit/(loss) after income tax	763,633	1,742,917	(1,121,818)	77,814
Cash flows excluded from profit/(loss) attributable to operating activities				
Non-cash flows in profit/(loss):				
Depreciation and Amortisation	1,381,072	1,154,391	239,205	178,109
Net loss on disposal of assets	257,141	17,164	40,388	713
Unrealised loss on foreign currency transactions	(153,637)	(199,135)	-	-
Corporate recharge income	-	-	(804,606)	(3,263,808)
Expenses borne by other members of the group	-	-	(296,101)	1,667,622
(Gain)/loss on revaluation of listed shares	8,347	(15,037)	8,347	(15,037)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:				
(Increase)/decrease in trade and term receivables	(38,118)	1,197,548	145,776	(332,297)
(Increase)/decrease in prepayments	(139,794)	(11,017)	(160,868)	30,763
(Increase)/decrease in accrued income	(2,655)	(415,279)	20,592	(21,856)
(Increase) in inventories	(1,472,185)	(187,648)	-	-
Increase/(decrease) in trade payables and accruals	(1,757,518)	(1,632,721)	(86,621)	(288,280)
Increase in other liabilities	440,215	643,584	-	-
Increase/(decrease) in taxes payable	(108,137)	112,432	(478,179)	36,094
Increase/(decrease) in provisions	(24,780)	108,241	(11,107)	96,083
Cash flow from operations	(846,416)	2,515,440	(2,504,992)	(1,834,080)
(b) Acquisition of Entities				
Surgicare Pty Limited				
In the 2007 year ITL settled final costs with the former owners. Details of the transaction are:				
Cash consideration associated with acquisition	-	500,000	-	-
Other (non-cash) costs associated with acquisition	-	48,057	-	-
Total purchase	-	548,057	-	-
Goodwill on acquisition	-	548,057	-	-
Total additional cost for Surgicare Pty Limited	-	548,057	-	-
ITL Healthcare SEA Sdn Bhd and Heal Mediware Sdn Bhd				
In the 2007 year ITL paid further consideration based on former owners reaching earn-out targets. Details of the transaction are:				
Cash consideration	-	348,071	-	-
Options issue consideration	-	67,150	-	-
Total purchase	-	415,221	-	-
Goodwill on acquisition	-	415,221	-	-
	-	415,221	-	-

Notes to the financial statements for the year ended 30 June 2008

	Consolidated Group 2008 \$	Consolidated Group 2007 \$	Parent Entity 2008 \$	Parent Entity 2007 \$
Note 27: Cash Flow Information (Cont'd)				
(b) Acquisition of Entities (Cont'd)				
Inspire Vision Technologies Sdn Bhd and Inspire Vision Medical Sdn Bhd				
The operating businesses were acquired and completed in May 2008. Details of the transaction are:				
Cash consideration	3,135,600	-	-	-
Share issue consideration	800,000	-	-	-
Costs associated with acquisition	293,854	-	14,125	-
Unpaid consideration and costs	2,536,565	-	-	-
Cash acquired on acquisition	(889,200)	-	-	-
Total purchase	<u>5,876,819</u>	-	<u>14,125</u>	-
Goodwill	5,876,819	-	-	-
Investment*	-	-	14,125	-
	<u>5,876,819</u>	-	<u>14,125</u>	-
Purchase consideration settled in cash	3,135,600	-	-	-
Costs associated with acquisition	293,854	-	14,125	-
Cash acquired on acquisition	(889,200)	-	-	-
Total cost of Inspire Vision Technologies Sdn Bhd and Inspire Vision Medical Sdn Bhd acquisition, net of cash acquired	<u>2,540,254</u>	-	<u>14,125</u>	-
Total payment for Subsidiaries, net of cash acquired	<u>2,540,254</u>	<u>848,071</u>	<u>14,125</u>	-

* Consolidated into Goodwill in Group.

The additional goodwill is attributable to the future profitability of the acquired businesses expected to arise since the acquisition of the operating business of Inspire Vision Technologies Sdn Bhd and Inspire Vision Medical Sdn Bhd.

(c) Non-cash Financing Activities

None

Notes to the financial statements for the year ended 30 June 2008

	Consolidated Group 2008 \$	Consolidated Group 2007 \$	Parent Entity 2008 \$	Parent Entity 2007 \$
Note 27: Cash Flow Information (Cont'd)				
(d) Credit Standby Arrangements with Banks				
Credit facility	7,251,680	4,348,260	-	-
Amount utilised	4,631,252	2,454,936	-	-
	2,620,428	1,893,324	-	-

The major facilities are summarised as follows:

Bank overdrafts

The bank overdraft facilities are arranged with a number of banks with the general terms and conditions being set and agreed to annually. Interest rates are variable and subject to adjustment.

Other facilities

The other facilities are arranged with a Malaysian bank with the general terms and conditions being set and agreed to annually. Interest rates are variable and subject to adjustment.

(e) Loan facilities

Loan facility	8,519,087	5,561,125	-	-
Amount utilised	5,231,852	3,525,380	-	-
	3,287,235	2,035,745	-	-

The major facilities are summarised as follows:

Bank loans

The bank loan facilities are arranged with a number of banks with the general terms and conditions being set and agreed to annually. Interest rates are variable and subject to adjustment.

Note 28: Contingent Liabilities and Contingent Assets

The consolidated group is currently defending two outstanding litigation claims brought against the consolidated group by former employees in relation to their past employment. The consolidated group has received legal advice that it has a strong case and should be able to successfully defend the cases. All claims are expected to settle within the next 12 months. No amount is disclosed as the amounts cannot be reliably measured and would be considered immaterial if disclosed.

There were no other contingent liabilities or assets arising during the financial year to 30 June 2008 or to the date of this report.

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Notes to the financial statements for the year ended 30 June 2008

Note 29: Controlled Entities

(a) Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%) 2008	Percentage Owned (%) 2007
Ultimate Parent Entity			
ITL Limited	Australia	-	-
Subsidiaries of ITL Limited:			
ITL Needleguard Corporation Pty Limited (closed 23/7/06)	Australia	100%	100%
ITL Corporation Pty Limited	Australia	100%	100%
Noble House Group Pty Limited	Australia	100%	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 SEA Sdn Bhd (formerly known as ITL Healthcare Sdn Bhd)	Malaysia	100%	100%
Subsidiaries of ITL HealthCare Pty Limited:			
Surgicare Pty Limited	Australia	100%	100%
Subsidiaries of ITL SEA Sdn Bhd:			
ITL Healthcare SEA Sdn Bhd (formerly known as Heal Marketing Sdn Bhd)	Malaysia	100%	-
Subsidiaries of ITL Healthcare SEA Sdn Bhd:			
Heal Mediware Sdn Bhd	Malaysia	100%	-

(b) Controlled Entities Acquired

None.

(c) Controlled Entities Disposed

None.

Consolidated Group 2008 \$	Consolidated Group 2007 \$	Parent Entity 2008 \$	Parent Entity 2007 \$
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Note 30: 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

- - - -

(iv) Share Transactions of Directors

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

Notes to the financial statements for the year ended 30 June 2008

Note 31: Events After Balance Date

There are no matters or circumstances 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.

Note 32: Financial Instruments

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills, and leases.

(a) Financial Risk Management

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group businesses whilst managing its interest rate, foreign exchange, liquidity and credit risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group policy is not to engage in speculative transactions.

i. Treasury Risk Management

Head office management regularly review currency and interest rate exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

ii. Financial Risk Exposures and Management

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. For further details on interest rate risk refer to Note 32(b)(i).

Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency. The group contains its exposure to currency risk by maintaining cash balances in the most exposed currencies.

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

The maximum exposure 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 impairment of those assets, as disclosed in the balance sheet and 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 Note 32(b)(ii).

The consolidated group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated group.

Notes to the financial statements for the year ended 30 June 2008

Note 32: Financial Instruments (Cont'd)

(b) Financial Instruments

i. Financial Instrument Composition and Maturity Analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such the amounts may not reconcile to the balance sheet.

	Non-Interest Bearing Rate		Floating Interest Rate		Fixed Interest Within 1 Year		Rate Maturing 1 to 5 Years	
	2008	2007	2008	2007	2008	2007	2008	2007
Financial Assets								
Cash on hand	3,171	3,613	-	-	-	-	-	-
Cash at bank	-	-	3,442,844	9,034,617	-	-	-	-
Receivables	6,738,306	6,697,533	-	-	-	-	-	-
Total Financial Assets	6,741,477	6,701,146	3,442,844	9,034,617	-	-	-	-
Weighted Average Effective Interest Rate	-	-	6.11%	6.00%	-	-	-	-
Financial Liabilities								
Trade accounts payable	5,365,748	4,465,148	-	-	-	-	-	-
Bank overdraft	-	-	3,939,596	2,454,936	-	-	-	-
Bank loans	-	-	-	-	717,303	260,826	3,571,020	3,127,489
Hire purchase liability	-	-	-	-	335,997	288,300	600,645	411,661
Total Financial Liabilities	5,365,748	4,465,148	3,939,596	2,454,936	1,053,300	549,126	4,171,665	3,539,150
Weighted Average Effective Interest Rate	-	-	8.11%	7.94%	8.84%	8.21%	8.54%	7.71%

ii. Net Fair Values

The net fair values of term receivables 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 consolidated group intends to hold these assets to maturity.

Aggregate net fair values and carrying amounts of financial assets and liabilities at balance date:

	Carrying amount 2008	Net fair value 2008	Carrying amount 2007	Net fair value 2007
	\$	\$	\$	\$
Financial Assets				
Loans and receivables	6,738,306	6,738,306	6,697,533	6,697,533
Financial Liabilities				
Other loans and amounts due	10,590,713	10,590,713	8,553,424	8,553,424

Fair values are materially in line with carrying values.

Notes to the financial statements for the year ended 30 June 2008

Note 32: Financial Instruments (Cont'd)

(b) Financial Instruments (Cont'd)

iii. Sensitivity Analysis

Interest Rate Risk, Foreign Currency Risk and Price Risk

The group has performed sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk and price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

As at 30 June 2008, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Group 2008 \$	Consolidated Group 2007 \$	Parent Entity 2008 \$	Parent Entity 2007 \$
Change in profit				
Increase in interest rates by 1%	(57,216)	24,915	27,230	77,447
Decrease in interest rates by 1%	57,218	(22,325)	(27,230)	(77,477)

Foreign Currency Risk and Sensitivity Analysis

As at 30 June 2008, the effect on profit and equity as a result of changes in the value of the Australian Dollar to the US Dollar and Malaysian Ringgit, with all other variables remaining constant is as follows:

	Consolidated Group 2008 \$	Consolidated Group 2007 \$	Parent Entity 2008 \$	Parent Entity 2007 \$
Change in profit				
Improvement in AUD to USD/MYR by 1%	(94,000)	(29,411)	-	-
Decline in AUD to USD/MYR by 1%	96,000	29,411	-	-
Change in equity				
Improvement in AUD to USD/MYR by 1%	77,021	68,721	-	-
Decline in AUD to USD/MYR by 1%	(77,021)	(68,721)	-	-

Price Risk Sensitivity Analysis

As the Group primarily manufactures its own goods it is not any more sensitive to price rises than general inflation effects and therefore believes this analysis would have no material benefit.

ITL Limited and Controlled Entities
ABN 16 088 212 088

Notes to the financial statements for the year ended 30 June 2008

	Consolidated Group 2008 \$	Consolidated Group 2007 \$
Note 33: Segment Reporting		
Primary Reporting – Business Segment		
Segment revenue		
- Innovative products division (IPD)	9,904,843	9,858,798
- Hospital services division (HSD)	28,403,949	25,282,152
- Corporate and other	398,903	142,431
	<u>38,707,695</u>	<u>35,283,380</u>
Segment result		
- IPD	1,696,397	2,113,189
- HSD	473,972	3,078,826
- Corporate and other	(1,406,736)	(3,449,098)
	<u>763,633</u>	<u>1,742,917</u>
Segment assets		
- IPD	18,601,784	16,301,093
- HSD	30,818,545	23,010,638
- Corporate and other	7,995,465	13,700,028
	<u>57,415,794</u>	<u>53,011,759</u>
Segment liabilities		
- IPD	6,180,490	5,381,987
- HSD	10,685,551	7,892,761
- Corporate and other	1,633,034	1,480,580
	<u>18,499,075</u>	<u>14,755,328</u>
Acquisitions on non-current segment assets		
- IPD	2,768,171	3,445,263
- HSD	1,530,497	5,015,164
- Corporate and other	326,832	1,065,184
	<u>4,625,500</u>	<u>9,525,611</u>
Depreciation and amortisation of segment assets		
- IPD	766,189	723,738
- HSD	416,545	252,545
- Corporate and other	198,338	178,108
	<u>1,381,072</u>	<u>1,154,391</u>
Less: Depreciation included in COGS	(537,223)	(367,047)
	<u>843,849</u>	<u>787,344</u>

Notes to the financial statements for the year ended 30 June 2008

	Consolidated Group 2008 \$	Consolidated Group 2007 \$
Note 33: Segment Reporting (cont'd)		
Secondary Reporting – Geographical Segment		
Segment Revenue		
- Australia	17,001,101	17,385,465
- North America	7,997,142	8,295,566
- Europe	910,833	967,626
- Asia	12,798,619	8,634,723
	<hr/> 38,707,695	<hr/> 35,283,380
Carrying Amount of Segment Asset		
- Australia	37,031,359	40,721,649
- North America	77,590	206,471
- Europe	15,982	84,252
- Asia	20,290,863	11,999,387
	<hr/> 57,415,794	<hr/> 53,011,759
Acquisition of non-current Segment Asset		
- Australia	3,648,818	7,927,742
- North America	11,500	22,378
- Europe	-	-
- Asia	965,182	1,575,491
	<hr/> 4,625,500	<hr/> 9,525,611

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Intersegment Transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the consolidated group at an arm's length. These transfers are eliminated on consolidation.

Business and Geographical Segments

The consolidated group has the following three business segments:

- Innovative Product Division (IPD) develops, commercialises, manufactures, distributes and sells innovative medical devices.
- Hospital Supplies Division (HSD) manufactures, distributes and sells procedure packs; and sells and services medical equipment and instruments.
- Corporate and other provides the strategic management and co-ordination of the group.

Geographical Segments

- The Innovative Product Division (IPD) develops, commercialises, manufacturers and distributes from Australia and Asia, and sells into the USA, Europe and other geographical segments.
- The Hospital Supplies Division (HSD) manufactures, distributes and sells procedure packs in Australia and sells and services medical equipment and instruments in Asia.
- Corporate and other provides strategic management and co-ordination from Australia.

Notes to the financial statements for the year ended 30 June 2008

Note 34: Share-based Payments

Employee Share Option Arrangement

On 23 May 2008 1,450,000 share options were granted to all executives under the Executive Share Option Plan to accept ordinary shares at an exercise price of \$0.20 and 250,000 options were granted at an exercise price of \$0.3675. 1,200,000 options were exercisable between 23 May 2011 and 22 May 2012 (at \$0.20), 250,000 were exercisable between 1 October 2010 and 30 September 2011 (at \$0.3675) and 250,000 were exercisable between 29 May 2010 and 28 May 2011 (at \$0.20). 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, unless they provide, in writing, notification that they intend to exercise their options, before 30 June. The options hold no voting or dividend rights, and are not transferable. When an executive ceases employment the options are deemed to have lapsed. Since balance date, no executive has ceased employment.

The closing share market price of an ordinary share of ITL Limited on the Australian Stock Exchange at 30 June 2008 was \$0.10 (30 June 2007: \$0.375).

	Consolidated Group & Parent Entity			
	2008	Weighted	2007	Weighted
	No.	Avg Price	No.	Avg Price
Opening balance	-	-	3,800,000	0.23
Granted during the year	1,700,000	0.22	-	-
Exercised during the year	-	-	(3,550,000)	(0.19)
Lapsed during the year	-	-	(250,000)	(0.04)
Closing balance	1,700,000	0.22	-	-

There were no options exercised during the year. The options outstanding at 30 June 2008 had a weighted average exercise price of \$0.22 and a weighted average remaining contractual life of 3.66 years. Exercise prices range from \$0.20 to \$0.3675 in respect of options outstanding at 30 June 2008. The weighted average fair value of the options granted during the year was \$0.03.

Price was calculated by using a Black Scholes option pricing model applying the following inputs:

Weighted average exercise price	\$0.22
Weighted average life of the option	3.66 years
Underlying share price	\$0.10
Expected share price volatility	14.4%
Risk free interest rate	5.5%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under employee benefits expense in the income statement is \$6,424 (2007: \$nil), and relates, in full, to equity-settled share-based payment transactions.

Notes to the financial statements for the year ended 30 June 2008

Note 35: Change in Accounting Policy

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Standards Affected	Outline of Amendment	Application date of the standard	Application date for Group
AASB 2007-3 Amendments to Australian Accounting Standards	AASB 5: Non-current Assets Held for Sale and Discontinued Operations AASB 6: Exploration for and Evaluation of Mineral AASB 102: Inventories AASB 107: Cash Flow Statements AASB 119: Employee Benefits AASB 127: Consolidated and Separate Financial Statements AASB 134: Interim Financial Reporting AASB 136: Impairment of Assets AASB 1023: General Insurance Contracts AASB 1038: Life Insurance Contracts	The disclosure requirements of AASB 114: Segment Reporting have been replaced due to the issuing of AASB 8: Segment Reporting in February 2007. These amendments will involve changes to segment reporting disclosures within the financial report. However, it is anticipated there will be no direct impact on recognition and measurement criteria amounts included in the financial report.	1 Jan 2009	1 July 2009
AASB 8 Operating Segments	AASB 114: Segment Reporting	As above.	1 Jan 2009	1 July 2009
AASB 2007-6 Amendments to Australian Accounting Standards	AASB 1: First time adoption of AIFRS AASB 101: Presentation of Financial Statements AASB 107: Cash Flow Statements AASB 111: Construction Contracts AASB 116: Property, Plant and Equipment AASB 138: Intangible Assets	The revised AASB 123: Borrowing Costs issued in June 2007 has removed the option to expense all borrowing costs. This amendment will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. However, there will be no direct impact to the amounts included in the financial group as they already capitalise borrowing costs related to qualifying assets.	1 Jan 2009	1 July 2009
AASB 123 Borrowing Costs	AASB 123: Borrowing Costs	As above.	1 Jan 2009	1 July 2009
AASB 2007-8 Amendments to Australian Accounting Standards	AASB 101: Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity.	1 Jan 2009	1 July 2009
AASB 101	AASB 101: Presentation of Financial Statements	As above.	1 Jan 2009	1 July 2009

Note 36: 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 Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flows Statement 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 2008 and of the performance for the year ended on that date of the company and the consolidated group;
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 subsidiaries 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 25th day of August 2008



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ITL LIMITED AND CONTROLLED ENTITIES**

Report on the Financial Report

We have audited the accompanying financial report of ITL Limited and controlled entities (the consolidated entity), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading 'Remuneration Report' within the directors report and not in the financial report.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors are also responsible for preparation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures contained in the directors' report comply with Accounting Standard AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal

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control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of ITL Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion:

- (a) the financial report of ITL Limited and 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 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.;
- (b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1; and
- (c) The remuneration disclosures that are contained within the directors' report comply with Accounting Standards AASB 124.



Stephen Holmes
Registered Company Auditor
WalterTurnbull

Canberra ACT
25 August 2008

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