



Innovating Technologies for Life

ITL Limited and Controlled Entities

ABN 16 088 212 088

Appendix 4E

Preliminary final report

For the year ended 30 June 2007

Contents

Results for announcement to the market

Review of operations

Full year report

**Results for announcement to the market**

				A\$'000
Revenue	up	13%	to	35,283
Profit/(loss) from operating activities before income tax *	down	14%	to	2,505
EBITDA *	down	12%	to	4,049
Profit/(loss) after income tax attributable to members	down	46%	to	1,743
Net profit/(loss) for the period attributable to members	down	46%	to	1,743

* excludes currency losses/(gains) and reversals/refunds of ATO tax penalties

Dividends paid during year	2007	2006
Final 2005/06 dividend paid 5 October 2006	1 cent fully franked	Nil
Interim 2006/07 dividend paid 3 April 2007	0.5 cents fully franked	Nil
Total dividends paid	1.5 cents fully franked	Nil

Declaration of Final Dividend

The directors have declared a final, fully franked dividend of 0.5 cents per share.

The total dividend for the year is 1 cent per share fully franked.

The record date for determining entitlement to the final fully franked dividend is the 7th September 2007. The final dividend will be payable on the 16th October 2007.

Dividend reinvestment plan

The company's dividend reinvestment plan is available on the ITL website: www.itl-limited.com and will apply to this dividend. The directors have determined that there will be no discount for this final dividend. The date for receipt of the election notice for participation in the dividend reinvestment plan is the 5th October 2007.

Earnings per share (EPS)

	2007	2006
Basic EPS	\$0.016	\$0.032
Diluted EPS	\$0.016	\$0.031

Weighted average number of ordinary shares used in the calculation of:

Basic EPS	108,630,377	99,614,000
Diluted EPS	109,275,857	103,112,367

Asset backing per share

Net tangible asset backing	\$0.167	\$0.146
Net asset backing	\$0.312	\$0.288



Review of Operations

Group revenue grew by 13% from \$31.3 million to \$35.3 million, however it should be noted that revenue comparatives are skewed by the inclusion of the Heal Marketing business in the second half of 2005/06 and the whole year for 2006/07.

The company experienced a strong first half performance on the back of capital equipment sales in South East Asia, however the second half performance was disappointing. Profit from operating activities before tax (excluding currency losses/gains and reversals/refunds of ATO tax penalties) is down by 14% to \$2.5 million from \$2.9 million.

EBITDA (excluding one-off expenses not relevant to the operations of the business and currency losses/gains) has decreased by 12% to \$4.1 million from \$4.6 million.

Pre-tax profits of \$2.1 million were down on the previous year's \$3.7million. Profit after tax of \$1.7 million was below last year's after tax profit of \$3.3 million.

International currency movements have had an adverse effect on the company's trading results. Due to ITL's growth strategy more than 50% 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 73 cents to 85 cents.

The Australian medical procedure pack business met many challenges during the year. These included a relocation of the manufacturing facility, development of in-house sterilisation capabilities, a divisional restructure and a major supply chain shock.

The business generated revenues of \$16.7 million in 2007 which were down from \$18 million in the previous year. The Divisional performance was primarily affected by major capacity problems at the only third party sterilisation contractor. During the first half of the year, steriliser throughput was reduced to a half and then eventually a quarter of normal weekly capacity. The effects were serious and severely impacted on second half trading. The inability to timely satisfy customer demands resulted in lost revenues, and a high attrition rate amongst our sales staff.

The strategic investment in the new facilities and operational capabilities provide this business with capacity to cater for significant future growth.

The Malaysian sales business (primarily medical equipment) included for the full year for the first time had a strong year. The first half sales were significantly stronger exposing the volatility of capital equipment sales. This business is pursuing growth in procedure packs to offset the risk of capital equipment and additional growth opportunities through acquisitions.

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 the business unit has delivered 10.2% growth over the previous year.

Revenue growth in this region has been limited due to capacity issues at the Ipoh facility leading to increased airfreight costs to meet customer delivery times.

ITL continues to be committed to ongoing development of innovative products. During the year our new irreversible blood line clamp the CrocClamp™ was developed and launched with encouraging results. We have also seen increased demand for the SSK products and variations of the SampLok® product range. A new contract with Fenwal (formally Baxter) to supply a variant of SampLok® has recently been signed with delivery to commence in September 2007.



The board of directors has declared a final fully franked dividend of 0.5 cents per share, which will be paid on 16th October 2007. Dividends declared for the year total one cent per share fully franked.

This report is based on the audited consolidated financial report.

William L Mobbs
Managing Director
22nd August 2007



Innovating Technologies for Life

ITL Limited

ABN 16 088 212 088

**Financial Report
For the year ended 30 June 2007**

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2007.

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 Richard England
Mr Roy Rose (to April 2007 – see below)

Executive directors:

Mr William Mobbs (Managing Director and Chief Executive Officer)
Mr Roy Rose (Acting Divisional Manager of ITL Healthcare Pty Ltd from April 2007)

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:

	2007
	\$
Final ordinary dividend for the year ended 30 June 2006:	
1 cent (2005 - nil) per fully paid share paid on 5 October 2006	1,048,637
Interim ordinary dividend for the year ended 30 June 2007:	
0.5 cents (2006 – nil) per fully paid share paid on 3 April 2007	532,662
	<hr/> 1,581,299

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final ordinary dividend of 0.5 cents per fully paid share to be paid in October 2007.

Operating Results

The consolidated profit of the economic entity after providing for an income tax expense of \$400,503 amounted to \$1,742,917. 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 13% from \$31.3 million to \$35.3 million, however it should be noted that revenue comparatives are skewed by the inclusion of the Heal Marketing business in the second half of 2005/06 and the whole year for 2006/07.

The company experienced a strong first half performance on the back of capital equipment sales in South East Asia, however the second half performance was disappointing. Profit from operating activities before tax (excluding currency losses/gains and reversals/refunds of ATO tax penalties) is down by 14% to \$2.5 million from \$2.9 million.

ITL Limited and Controlled Entities

ABN 16 088 212 088

Directors' Report (Cont'd)

EBITDA (excluding one-off expenses not relevant to the operations of the business and currency losses/gains) has decreased by 12% to \$4.1 million from \$4.6 million.

Pre-tax profits of \$2.1 million were down on the previous year's \$3.7million. Profit after tax of \$1.7 million was below last year's after tax profit of \$3.3 million.

International currency movements have had an adverse effect on the company's trading results. Due to ITL's growth strategy more than 50% 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 73 cents to 85 cents.

The Australian medical procedure pack business met many challenges during the year. These included a relocation of the manufacturing facility, development of in-house sterilisation capabilities, a divisional restructure and a major supply chain shock. The business generated revenues of \$16.7 million in 2007 which were down from \$18 million in the previous year. The Divisional performance was primarily affected by major capacity problems at the only third party sterilisation contractor. During the first half of the year, steriliser throughput was reduced to a half and then eventually a quarter of normal weekly capacity. The effects were serious and severely impacted on second half trading. The inability to timely satisfy customer demands resulted in lost revenues, and a high attrition rate amongst our sales staff. The strategic investment in the new facilities and operational capabilities provide this business with capacity to cater for significant future growth.

The Malaysian sales business (primarily medical equipment) included for the full year for the first time had a strong year. The first half sales were significantly stronger exposing the volatility of capital equipment sales. This business is pursuing growth in procedure packs to offset the risk of capital equipment and additional growth opportunities through acquisitions.

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 the business unit has delivered 10.2% growth over the previous year. Revenue growth in this region has been limited due to capacity issues at the Ipoh facility leading to increased airfreight costs to meet customer delivery times.

ITL continues to be committed to ongoing development of innovative products. During the year our new irreversible blood line clamp the CrocClamp™ was developed and launched with encouraging results. We have also seen increased demand for the SSK products and variations of the SampLok® product range. A new contract with Fenwal (formally Baxter) to supply a variant of SampLok® has recently been signed with delivery to commence in September 2007.

Financial Position

The net assets of the economic entity have increased by \$9,249,727 from \$29,006,704 at 30 June 2006 to \$38,256,431 at 30 June 2007. This increase has largely resulted from the profit for the year and the capital raising during the year.

The group's working capital, being current assets less current liabilities, has increased by \$4,864,373 to \$16,314,463 from \$11,450,090. The current ratio has increased from 2.2 in 2006 to 3.0 in 2007, which places the group 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.

Significant Changes in State of Affairs

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

	2007
	\$
An increase in contributed equity of \$9,920,964 (from \$28,103,050 to \$38,024,014) as a result of:	
Issue of 3,550,000 fully paid ordinary shares @ \$0.20 each on exercise of options granted under the Executive Share Option Plan (less \$32,850 being the valuation of these options using the Black-Scholes method in the 30 June 2006 financial year)	677,150
Issue of 1,667,812 fully paid ordinary shares @ \$0.35 each under the dividend reinvestment plan	583,734
Issue of 680,160 fully paid ordinary shares @ \$0.50 each under the dividend reinvestment plan	340,080
Issue of 16,000,000 fully paid ordinary shares @ \$0.52 each as an additional capital raising	8,320,000

Total increase in contributed equity

9,920,964

ITL Limited and Controlled Entities
ABN 16 088 212 088

Directors' Report (Cont'd)

Events After Balance Date

Other than disclosed in Note 31 to the financial statements, no other matter or circumstance has arisen since 30 June 2007 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

To further improve the economic entity's profit and maximise shareholder wealth the company will continue to review potential new products and acquisitions if and when appropriate.

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

Environmental Issues

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

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

Information on Directors

Julian Gosse	-	Chairman (Non-executive) Age 57
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 also Chairman of Blue Chip Financial Solutions Limited (since November 2006) and Director since March 2006. Mr Gosse is a Director of Clime Capital Limited (since 2003), Wilson Leaders Limited (since 2003), and Wilson Investment Fund Limited (since 2003). During the past three years Mr Gosse was a Director of Mariner Wealth Limited (to 2006).
Interest in Shares and Options	-	Shares: 450,000 Options: Nil
Special Responsibilities	-	Member of Audit and Risk Management Committee

Richard England	-	Director (Non-executive) Age 57
Qualifications	-	Fellow of the Institute of Chartered Accountants in Australia, Member of Australian Institute of Company Directors
Experience and Directorships held in other listed entities	-	Board member since 2003, was Chairman until 1 January 2005. Mr England is a professional company director and Chartered Accountant. He is Chairman of Ruralco Holdings Limited (also served as Deputy Chairman and a Director since 2002) and KH Foods Limited (since 2006) and is a Director of Choiseul Investments Limited (since 2004), Healthscope Limited (since 1996), St George Bank Limited (since 2004). During the past three years Mr England has served as Chairman and a Director of Gropep Limited, a position he held for eight years (until 2006) and as a Director with ABB Grain Limited (2003-2004).
Interest in Shares and Options	-	Shares: 626,984 Options: Nil
Special Responsibilities	-	Chairman of Audit and Risk Management Committee

Directors' Report (Cont'd)

Roy Rose	-	Executive Director (From April 2007 Acting Divisional Manager of ITL Healthcare Pty Ltd a wholly owned subsidiary of ITL Limited) Age 60
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: 639,987 Options: Nil
Special Responsibilities	-	Member of Audit and Risk Management Committee (Mr Rose has stepped down from the committee while acting as the Divisional General Manager of ITL Healthcare Pty Ltd).

William Mobbs	-	Managing Director Age 48
Qualifications	-	Master of Business Administration, Bachelor of Science, Member of the Australian Institute of Company Directors
Experience and Directorships held in other listed entities	-	Board member since 1999, joint Managing Director to 27 October 2004 then sole Managing Director. Mr Mobbs is a co-founder of the ITL Group and brings over 13 years experience in the medical and healthcare industry. Mr Mobbs has invented new concepts for a range of innovative medical products. Mr Mobbs is also a Director of London AIM listed Seeing Machines.
Interest in Shares and Options	-	Shares: 23,252,874 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 Graduate Australian Institute of Company Directors. Ms Winslade joined ITL Limited in January 2006 as the Manager of Strategic Projects. She previously worked for the company as a consultant from 2001. Ms Winslade was appointed Company Secretary on 8 December 2006.

Directors' Meetings

During the financial year 18 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	13	13	5	5
Richard England	13	13	5	5
Roy Rose	13	13	5	5
William Mobbs	13	13	-	-

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 specific long-term incentives based on key performance areas affecting the economic entity's financial results. The board of ITL Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, 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 economic entity is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the board after seeking professional advice from independent external consultants.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits (where stated), performance incentives and are eligible to participate in a future share plan programs when offered by the company.
- The board reviews executive packages annually by reference to the economic entity'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 economic entity's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

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

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

All remuneration paid to directors and executives is valued at the cost to the company and expensed.

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 economic entity. 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 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.

ITL Limited and Controlled Entities
ABN 16 088 212 088

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, profits, share price and dividends for the last four years for the listed entity. The Directors have paid dividends of \$0.015 during the financial year ended 30 June 2007 and are now declaring a final dividend of \$0.005 per share fully franked.

	2004	2005	2006	2007
Revenue	\$17.6m	\$24.2m	\$31.3m	\$35.3m
Net Profit/(loss)	(\$2.0m)	(\$0.1m)	\$3.3m	\$1.7m
Share Price at year-end	\$0.35	\$0.175	\$0.34	\$0.375
Dividends Paid (per share)	Nil	Nil	Nil	\$0.015

Key Management Personnel Remuneration

The remuneration for each director and the key management personnel of the consolidated entity receiving the highest remuneration during the year was as follows:

2007:	Salary, Fees, and Commi- ssions	Super- annuation Contri- bution	Perform- ance based Bonus	Non-cash Benefits	Options	Total
	\$	\$	\$	\$	\$	\$
Directors						
Julian Gosse	125,000	-	-	-	-	125,000
Richard England	59,633	5,367	-	-	-	65,000
Roy Rose	5,000	77,992	-	-	-	82,992
Bill Mobbs	373,826	26,174	-	13,240	-	413,240
Total	563,459	109,533	-	13,240	-	686,232
Key Management Personnel						
Stephanie Norrell (USA)	235,862	2,359	38,248	7,650	-	284,118
David Laffar (UK)	209,232	-	20,923	6,838	-	236,993
Avtar Kashmirian	160,550	14,450	30,000	-	-	205,000
Narinder Kanda	160,550	14,450	10,000	-	-	185,000
Craig Wilson	137,615	12,385	15,000	-	-	165,000
Total	903,809	43,644	114,171	14,488	-	1,076,111

Directors' Report (Cont'd)

Key Management Personnel Remuneration

2006:	Salary, Fees and Commi- ssions	Super- annuation Contri- bution	Perform- ance based Bonus	Non-cash Benefits	Options	Total
	\$	\$	\$	\$	\$	\$
Directors						
Julian Gosse	100,000	-	-	-	-	100,000
Richard England	45,872	4,128	-	-	-	50,000
Roy Rose	30,581	2,752	-	-	-	33,333
Bill Mobbs	240,081	98,882	140,000	11,037	-	490,000
Total	416,534	105,762	140,000	11,037	-	673,334
Specified Executives						
Stephanie Norrell (USA)	239,577	-	53,541	4,819	-	297,936
David Laffar (UK)	190,404	-	57,121	21,776	-	269,301
Susan Williams	111,571	40,560	45,000	30,569	-	227,700
Frank Kubik (Malaysia)	159,256	-	28,157	-	-	187,414
Avtar Kashmirian	109,598	19,620	29,000	16,952	-	175,170
Total	810,405	60,180	212,820	74,117	-	1,157,521

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 economic entity.

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 2007

There were no options 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.

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. All other executives are permanent employees of ITL Limited.

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

Directors' Report (Cont'd)

Indemnifying Officers or Auditor

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

All directors have executed with the company a Deed of Access and Indemnity. This requires that the company indemnify each Director, maintain an insurance policy in favour of each Director and grant access to the records of the company. The company has entered into Deeds of Access and Indemnity with Mr William Mobbs, Mr Julian Gosse, Mr Richard England, Mr Roy Rose, Ms Stephanie Norrell and Mr David Laffar.

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 \$57,655 for all Directors and Officers.

Options

At the date of this report, there were no unissued ordinary shares of ITL Limited under option.

During the year ended 30 June 2007, the following ordinary shares of ITL Limited were issued on the exercise of options granted under the ITL Limited Executive Share Option Plan. No further share options have been issued since that date. No amounts are unpaid on any of the shares.

Grant Date	Exercise Price	Number of Share Issued
30 August 2006	\$0.20	3,550,000

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

Proceedings on Behalf of Company

No person has applied for leave to 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.

Two outstanding litigation cases were settled during the financial year:

- The Platypus litigation was settled during the financial year at no further cost of settlement. ITL expensed \$1.1 million as its share of the possible settlement in 2004.
- The Surgicare completion accounts dispute was settled for a further consideration of \$500,000, which was added to the cost of the asset.

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.

ITL Limited and Controlled Entities
ABN 16 088 212 088

Directors' Report (Cont'd)

Non-audit Services (Cont'd)

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2007:

	\$
Taxation services	54,290
Other	-
Total non-audit services	<u>54,290</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 2007 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 21st day of August 2007



WALTERTURNBULL
your extra asset

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2007 there have been:

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

A B Papps
Registered Company Auditor
Walter Turnbull

Canberra, ACT
22 August, 2007

WalterTurnbull Building
44 Sydney Avenue
BARTON ACT 2600
GPO Box 1955
CANBERRA ACT 2601
Tel 02 6247 6200
Fax 02 6257 6655
www.walturn.com.au
walterturnbull@walturn.com.au
A division of
WalterTurnbull Pty Ltd
ABN 97 099 740 879

BUSINESS ADVISORY SERVICES

ASSURANCE SERVICES

MANAGEMENT CONSULTING

FINANCIAL PLANNING

INSOLVENCY SERVICES

ACCOUNTING SOLUTIONS



ITL Limited and Controlled Entities
ABN 16 088 212 088

Income Statement

for the year ended 30 June 2007

	Note	Economic Entity		Parent Entity	
		2007 \$	2006 \$	2007 \$	2006 \$
Revenue	2	35,283,380	31,274,257	3,683,125	2,293,434
Cost of Sales	3	(21,195,700)	(18,155,293)	(36)	(9,957)
Employee benefits expense		(5,780,789)	(5,600,603)	(1,747,153)	(1,817,781)
Depreciation and amortisation expense	3	(787,344)	(722,336)	(178,109)	(132,368)
Finance costs	3	(296,759)	(181,823)	(5,095)	-
Consultants		(443,935)	(177,421)	(175,938)	(66,706)
Litigation expenses		(286,314)	(153,822)	(276,740)	-
Office expenses		(1,173,669)	(831,292)	(162,535)	(121,032)
Travel and accommodation		(1,169,615)	(724,508)	(329,770)	(221,379)
Communication and marketing		(896,203)	(660,595)	(184,097)	(140,317)
Accounting and audit		(185,675)	(203,711)	(146,839)	(187,363)
Business insurances expense		(138,326)	(146,555)	(57,262)	(77,327)
Regulatory and QA expense		(125,572)	(111,168)	-	-
Impairment of capitalised research and development and tools		-	(485,769)	-	-
Currency gains/(losses)	3	(361,776)	298,692	(79,848)	79,606
Reversals and refunds of ATO penalties and interest		-	494,949	-	10,655
Other expenses		(298,283)	(217,696)	(225,795)	(27,356)
Profit/(loss) before income tax expense		2,143,420	3,695,306	113,908	(417,891)
Income tax (expense)/benefit	5	(400,503)	(437,921)	(36,094)	160,732
Net Profit/(Loss) attributable to ITL Limited's Shareholders		1,742,917	3,257,385	77,814	(257,159)
Basic earnings per share (cents per share)	8	0.016	0.032	-	-
Diluted earnings per share (cents per share)	8	0.016	0.031	-	-

The accompanying notes form part of these financial statements.

ITL Limited and Controlled Entities
ABN 16 088 212 088

Balance Sheet
as at 30 June 2007

	Note	Economic Entity		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	9	9,038,230	5,377,370	8,111,458	1,788,195
Trade and other receivables	10	6,697,533	7,329,607	309,228	(48,445)
Inventories	11	7,889,116	7,701,468	-	-
Financial assets	12	110,000	105,000	110,000	105,000
Other current assets	13	839,543	527,008	57,653	161,833
TOTAL CURRENT ASSETS		24,574,422	21,040,453	8,588,339	2,006,583
NON-CURRENT ASSETS					
Property, plant and equipment	14	8,328,448	3,845,242	1,406,307	1,001,044
Product development, tools	15	8,953,405	6,400,276	-	-
Intangible assets	16	11,155,484	10,259,779	481,099	-
Financial assets	17	-	-	12,477,219	11,651,386
Trade and other receivables	18	-	-	10,744,039	10,674,429
TOTAL NON-CURRENT ASSETS		28,437,337	20,505,297	25,108,664	23,326,859
TOTAL ASSETS		53,011,759	41,545,750	33,697,003	25,333,442
CURRENT LIABILITIES					
Trade and other payables	19	4,645,148	6,743,319	408,413	696,693
Financial liabilities	20	3,004,062	2,232,467	66,184	-
Current tax liabilities	21	(38,049)	74,020	-	-
Short-term provisions	22	648,798	540,557	281,375	185,292
TOTAL CURRENT LIABILITIES		8,259,959	9,590,363	755,972	881,985
NON-CURRENT LIABILITIES					
Financial liabilities	20	3,539,150	860,549	299,952	-
Deferred tax liabilities	21	267,995	43,494	402,374	365,863
Long-term provisions	22	33,256	33,256	33,256	33,256
Other non-current liabilities	23	2,654,968	2,011,384	-	-
TOTAL NON-CURRENT LIABILITIES		6,495,369	2,948,683	735,582	399,119
TOTAL LIABILITIES		14,755,328	12,539,046	1,491,554	1,281,104
NET ASSETS		38,256,431	29,006,704	32,205,449	24,052,338
EQUITY					
Issued capital	24	38,024,014	28,103,050	38,024,014	28,103,050
Reserves		(561,446)	7,041	416,277	416,277
Retained earnings		793,863	896,613	(6,234,842)	(4,466,989)
TOTAL EQUITY		38,256,431	29,006,704	32,205,449	24,052,338

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 2007

Economic Entity	Note	Issued Capital	Foreign Currency Translation Reserve	Asset Revaluation Reserve	Retained Earnings	Total
		\$	\$	\$	\$	\$
Balance at 1 July 2005		27,700,200	(678,042)	380,153	(2,360,772)	25,041,539
Shares issued during the year		370,000	-	-	-	370,000
Value of options issued during the year not exercised		32,850	-	-	-	32,850
Profit attributable to ITL Limited's Shareholders		-	-	-	3,257,385	3,257,385
Revaluation increment		-	-	36,124	-	36,124
Adjustments from translation of foreign controlled entities		-	268,806	-	-	268,806
Balance at 30 June 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
Parent Entity		Issued Capital	Asset Revaluation Reserve	Retained Earnings	Total	
		\$	\$	\$	\$	
Balance at 1 July 2005		27,700,200	380,153	(4,209,830)	23,870,523	
Shares issued during the year		370,000	-	-	370,000	
Value of options issued during the year not exercised		32,850	-	-	32,850	
Loss attributable to ITL Limited's Shareholders		-	-	(257,159)	(257,159)	
Revaluation increment		-	36,124	-	36,124	
Balance at 30 June 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	

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 2007

	Note	Economic Entity		Parent Entity	
		2007	2006	2007	2006
			\$		\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from grants and customers		38,281,479	32,871,365	3,705	18,362
Payments to suppliers		(23,336,681)	(19,751,478)	(40)	(10,953)
Payment of expenses and wages		(11,994,286)	(7,164,345)	(1,934,856)	(2,236,622)
Interest received		149,758	147,920	102,206	93,457
Borrowing costs		(296,759)	(181,823)	(5,095)	-
Income tax (paid)/refunded		(288,071)	308,093	-	369,686
Net cash provided by/(used in) operating activities	27(a)	<u>2,515,440</u>	<u>6,229,732</u>	<u>(1,834,080)</u>	<u>(1,766,070)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Gain on sale of shares		10,037	-	10,037	-
Proceeds on sale of assets		2,435	-	-	-
Payment for product development and tools		(3,149,526)	(2,787,924)	-	-
Payment for property, plant and equipment		(5,299,160)	(1,397,573)	(514,188)	(153,013)
Payment for Patent and IP		(47,769)	(52,037)	-	-
Payment for business development software		(481,099)	-	(481,099)	-
Deposit on purchase of assets		(499,770)	(86,403)	-	(68,897)
Payment for subsidiary, net of cash acquired	27(b)	<u>(848,071)</u>	<u>(2,659,185)</u>	<u>-</u>	<u>-</u>
Net cash (used in) investing activities		<u>(10,312,923)</u>	<u>(6,983,122)</u>	<u>(985,250)</u>	<u>(221,910)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		8,930,000	100,000	8,930,000	100,000
Payment for equity raising cost		(264,368)	-	(264,368)	-
Payment for dividends		(657,485)	-	(657,485)	-
Proceeds from borrowings		3,432,372	833,512	378,344	-
Repayments of borrowings		(496,075)	(960,405)	(12,208)	-
Loan to group/(loans repaid)		-	-	768,310	1,626,087
Net cash provided by/(used in) financing activities		<u>10,944,444</u>	<u>(26,893)</u>	<u>9,142,593</u>	<u>1,726,087</u>
Net decrease in cash held		3,146,961	(780,283)	6,323,263	(261,893)
Cash at beginning of year	9	3,436,333	4,216,616	1,788,195	2,050,088
Cash at end of year	9	<u>6,583,294</u>	<u>3,436,333</u>	<u>8,111,458</u>	<u>1,788,195</u>

The accompanying notes form part of these financial statements

Notes to the financial statements for the year ended 30 June 2007

Note 1: Statement of Significant Accounting Policies

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

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

The financial report of ITL Limited and controlled entities, and ITL Limited as an individual parent entity comply with all International Financial Reporting Standards (IFRS) in their entirety.

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

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) Principles of Consolidation

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

A list of controlled entities is contained in Note 29 to the financial statements. All controlled entities have a June financial year-end.

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

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

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

(b) Income Tax

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

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

Notes to the financial statements for the year ended 30 June 2007

Note 1: Basis of preparation (cont'd)

(b) Income Tax (cont'd)

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

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

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

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

(c) Inventories

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

(d) Property, Plant and Equipment

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

Property

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

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

Notes to the financial statements for the year ended 30 June 2007

Note 1: Basis of preparation (cont'd)

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

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.

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.

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 economic entity 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	20%
Computer & office equipment	10 - 33.33%
Computer software	33.33%
Motor vehicles	15%
Product development	5 - 33.33%
Product tools, production, QA and Lab equipment	10 - 33.33%

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 economic entity, are classified as finance leases.

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

Leased assets are depreciated on a straight line basis over their estimated useful lives 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.

Notes to the financial statements for the year ended 30 June 2007

Note 1: Basis of preparation (cont'd)

(f) Financial Instruments

Recognition

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

Financial assets at fair value through profit and loss

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

Loans and receivables

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

Financial liabilities

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

Derivative instruments

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

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.

Notes to the financial statements for the year ended 30 June 2007

Note 1: Basis of preparation (cont'd)

(f) Financial Instruments (cont'd)

Fair Value

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

Impairment

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

(g) Impairment of Assets

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

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

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

(h) Investments in Associates

The Economic entity 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 monthly 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.

Notes to the financial statements for the year ended 30 June 2007

Note 1: Basis of preparation (cont'd)

(j) Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transactions and balances

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

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

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

Group Companies

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

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

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

(k) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Equity-settled compensation

The group operates a share option arrangement with senior executives as a share-based compensation plan. The bonus element over the exercise price of the employee services rendered in exchange for the grant of options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

(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.

Notes to the financial statements for the year ended 30 June 2007

Note 1: Basis of preparation (cont'd)

(m) Debt Defeasance

Where assets are given up to extinguish the principal repayments and all future interest payments of a debt any differences in the carrying values of assets foregone and the liability extinguished are brought to account in the profit from ordinary activities. Costs incurred in establishing the defeasance are expensed in the period that the defeasance occurs.

Where only part of a debt is extinguished the interest payments and principal repayments are defeased proportionately and a liability recognised for the net present value of the remaining future interest and principal repayments. The discount factor applied is the implicit rate in the original debt.

In all cases where defeasance occurs, it is highly unlikely that the company will again be required to pay any part of the debt or meet any guarantees or indemnities associated with the debt.

(n) 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 financial liabilities in current liabilities on the balance sheet. Bank overdrafts are included in cash for the purposes of the statement of cash flows.

(o) 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).

(p) 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.

(q) 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.

Notes to the financial statements for the year ended 30 June 2007

Note 1: Basis of preparation (cont'd)

(r) 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.

(s) 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 \$9,968,115) for the year ended 30 June 2007.

The financial report was authorised for issue on the 21st of August 2007 by the Board of Directors.

Notes to the financial statements for the year ended 30 June 2007

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent Entity 2007 \$	Parent Entity 2006 \$
Note 2: Revenue				
Operating activities:				
Sale of goods	34,996,950	30,973,838	-	-
Interest received	193,375	159,110	124,062	104,647
Revenue from grants	-	36,936	-	-
Rental revenue	3,333	10,000	3,333	10,000
Corporate office recharge	-	-	3,540,693	2,174,832
Other	89,722	94,373	15,037	3,955
Total revenue	35,283,380	31,274,257	3,683,125	2,293,434
Note 3: Profit for the Year				
Expenses				
Cost of sales	21,282,966	17,703,315	36	9,957
Write down of inventories	(87,266)	451,978	-	-
	21,195,700	18,155,293	36	9,957
Depreciation of non-current assets:				
Land	10,538	3,449	-	-
Buildings	23,006	21,903	-	-
Land & buildings	21,166	18,624	19,250	18,624
Furniture & fittings	51,492	38,313	2,252	1,432
Computer & office equipment	178,773	154,518	44,555	24,415
Leasehold improvements	71,524	24,524	724	288
Computer software	142,019	141,749	111,328	87,609
Motor vehicle	7,619	5,131	-	-
Product tools	356,420	328,460	-	-
Production, QA and lab equipment	17,322	12,988	-	-
Total depreciation	879,879	749,659	178,109	132,368
Amortisation of non-current assets:				
- Product design	121,195	151,771	-	-
- Patents and trademarks	153,317	151,097	-	-
Total amortisation	274,512	302,868	-	-
Total Depreciation and Amortisation	1,154,391	1,052,527	178,109	132,368
Less: Depreciation included in cost of sales	(367,047)	(330,191)	-	-
Depreciation and amortisation expense	787,344	722,336	178,109	132,368
Borrowing costs – external	296,759	181,823	5,095	-
Foreign currency translation losses/(gains)	361,776	(298,692)	79,848	(79,606)
Rental expense on operating leases:				
- minimum lease payments	530,880	370,859	-	-

Notes to the financial statements for the year ended 30 June 2007

Note 4: Key Management Personnel Compensation

(a) **Names and positions held of economic 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
Roy Rose	Director – Executive
	Acting Divisional Manager ITL Healthcare Pty Ltd
Bill Mobbs	Director – Executive
	Chief Executive Officer
Greg Lewis ^	Chief Financial Officer (commenced and appointed 29 May 2007)
Sharon Winslade ^	Company Secretary (appointed 8 December 2006)
	Manager of Strategic Projects
Stephanie Norrell (USA)	Managing Director – ITL North America Inc.
	Vice President Sales Area 3
David Laffar (UK)	Managing Director – ITL Europe Limited
	Vice President Acquisitions & Strategic Projects
Avtar Kashmirian	Vice President Research & Development & QA/RA
Narinder Kanda	Vice President of Manufacturing & Supply Chain
Craig Wilson	Vice President of Design & OEM

^ Not included in top 5 remunerated key management personnel as required by AASB 124 (see Directors' Report).

(b) **Key Management Personnel Compensation**

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent Entity 2007 \$	Parent Entity 2006 \$
Short-term employee benefits	1,609,167	1,664,913	742,249	758,839
Post-employment benefits	153,177	165,942	95,991	116,734
Long-term benefits	-	-	-	-
Share-based payments	-	-	-	-
Total revenue	1,762,344	1,830,854	838,240	875,573

The company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in the remuneration report.

(c) **Compensation Options**

Options Granted as Compensation

There were no options granted during the financial year or unexercised at the end of the financial year.

Notes to the financial statements for the year ended 30 June 2007

Note 4: Key Management Personnel Compensation (cont'd)

(d) Shares Issued on Exercise of Compensation Options

Options exercised during the year that were granted as compensation in prior periods:

Key Management Personnel	No. of Ordinary Shares Issued	Amount paid per share	Amount unpaid per share
		\$	\$
Stephanie Norrell	500,000	0.20	0.00
David Laffar	500,000	0.20	0.00
Avtar Kashmirian	500,000	0.20	0.00
Narinder Kanda	350,000	0.20	0.00
Craig Wilson	350,000	0.20	0.00
	<u>2,200,000</u>		

(e) Options and Rights Holdings

Number of Options Held by Key Management Personnel:

Key Management Person	Balance 1/7/2006	Granted as Compensation	Options Exercised	Net Change Other	Balance 30/6/07	Total Vested	Total Exercisable 30/6/07	Total Un-exercisable 30/6/07
Julian Gosse	-	-	-	-	-	-	-	-
Richard England	-	-	-	-	-	-	-	-
Roy Rose	-	-	-	-	-	-	-	-
Bill Mobbs	250,000	-	-	(250,000)	-	-	-	-
Stephanie Norrell (USA)	500,000	-	(500,000)	-	-	-	-	-
David Laffar (UK)	500,000	-	(500,000)	-	-	-	-	-
Avtar Kashmirian	500,000	-	(500,000)	-	-	-	-	-
Narinder Kanda	350,000	-	(350,000)	-	-	-	-	-
Craig Wilson	350,000	-	(350,000)	-	-	-	-	-
	<u>2,450,000</u>	<u>-</u>	<u>(2,200,000)</u>	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The net change other reflected above includes those options that have been forfeited by holders as well as options issued during the year under review.

(f) Shareholdings

Number of Shares held by Parent Entity Key Management Personnel:

Key Management Personnel	Balance 1/7/06	Received as Compensation	Options Exercised	Net Change other*	Balance 30/6/07
Julian Gosse	350,000	-	-	100,000	450,000
Richard England	412,000	-	-	214,984	626,984
Roy Rose	350,000	-	-	289,987	639,987
Bill Mobbs	22,335,000	-	-	917,874	23,252,874
Stephanie Norrell (USA)	680,000	-	500,000	(86,000)	1,094,000
David Laffar (UK)	370,000	-	500,000	(471,194)	398,806
Avtar Kashmirian	443,090	-	500,000	56,310	999,400
Narinder Kanda	-	-	350,000	13,600	363,600
Craig Wilson	95,000	-	350,000	(112,422)	332,578
	<u>25,035,090</u>	<u>-</u>	<u>2,200,000</u>	<u>923,139</u>	<u>28,158,229</u>

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

Notes to the financial statements for the year ended 30 June 2007

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent Entity 2007 \$	Parent Entity 2006 \$
Note 5: Income Tax Expense				
a. The components of tax expense comprise:				
Current tax	83,451	17,308	-	(247,680)
Deferred tax	199,779	857,654	37,451	86,948
(Over)/under provision in respect of prior years	24,722	(437,041)	(1,357)	-
Benefit from previously unrecognised (tax loss or tax credit or temporary difference or other) used to reduce current tax expense	92,551	-	-	-
	400,503	437,921	36,094	(160,732)
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 on profit before income tax at 30%				
- economic entity	643,026	1,108,592	-	-
- parent entity	-	-	34,172	(125,367)
	643,026	1,108,592	34,172	(125,367)
Add:				
Tax effect of:				
- non-deductible depreciation and amortisation	-	(10,453)	-	-
- other non-allowable items	48,613	512	797	-
- fines and penalties	-	(82,108)	-	14,123
- non-deductible entertainment	3,141	6,083	2,482	(4,740)
- under provision for income tax in prior years	24,722	(437,041)	-	-
	719,502	585,585	37,451	(115,984)
Less:				
Tax effect of:				
- revaluation of shares not subject to income tax	-	21,000	-	21,000
- other allowable items	(415,886)	(168,664)	-	(65,748)
- deferred tax asset not previously recognised	92,551	-	-	-
- Over provision for income tax in prior years	-	-	(1,357)	-
- Deferred tax asset not recognised	4,336	-	-	-
Income tax attributable to entity	400,503	437,921	36,094	(160,732)
The applicable weighted average effective tax rates are as follows:	18.7%	11.8%		

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

It is anticipated that the Economic Entities tax position will normalise within the next few years.

Notes to the financial statements for the year ended 30 June 2007

	Economic Entity 2007	Economic Entity 2006	Parent Entity 2007	Parent Entity 2006
	\$	\$	\$	\$
Note 6: Auditors' Remuneration				
Remuneration of the auditor of the parent entity for:				
- auditing or reviewing the financial report	78,000	71,000	78,000	71,000
- taxation services	54,290	110,213	54,290	110,213
- other services	1,550	-	1,550	-
<hr/>				
Remuneration of other auditors of subsidiaries for:				
- auditing or reviewing the financial report of subsidiaries	20,800	9,380	-	-
- due diligence for potential acquisitions	2,970	-	2,970	-
	<u>23,770</u>	<u>9,380</u>	<u>2,970</u>	<u>-</u>
<hr/>				
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	-
	<u>1,581,299</u>	<u>-</u>	<u>1,581,299</u>	<u>-</u>
<hr/>				
a. Proposed final fully franked ordinary dividend of 0.5 (2006: 1) cent per share franked at the tax rate of 30%	616,060	1,013,140	616,060	1,013,140
b. Balance of franking account at year end	1,509,959	2,187,658	1,509,959	2,187,658
Subsequent to year-end, the franking account would be reduced by the proposed dividend reflected per (a) as follows:	(264,026)	(434,203)	(264,026)	(434,203)
	<u>1,245,933</u>	<u>1,753,455</u>	<u>1,245,933</u>	<u>1,753,455</u>
<hr/>				
Note 8: Earnings per Share				
Earnings per share is calculated based on the operating profit after income tax	1,742,917	3,257,385	-	-
<hr/>				
Weighted average number of ordinary shares used in the calculation of basic EPS	108,630,377	100,299,479	-	-
Weighted average number of options outstanding	645,479	4,090,274	-	-
<hr/>				
Weighted average number of ordinary shares used in the calculation of dilutive EPS	<u>109,275,857</u>	<u>104,389,753</u>	<u>-</u>	<u>-</u>
<hr/>				

ITL Limited and Controlled Entities
ABN 16 088 212 088

Notes to the financial statements for the year ended 30 June 2007

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent Entity 2007 \$	Parent Entity 2006 \$
Note 9: Cash and cash equivalents				
Cash on hand	3,613	2,295	500	500
Cash at bank	9,034,617	5,375,075	8,110,958	1,787,695
	9,038,230	5,377,370	8,111,458	1,788,195

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	9,038,230	5,377,370	8,111,458	1,788,195
Bank overdrafts (note 20)	(2,454,936)	(1,941,037)	-	-
	6,583,294	3,436,333	8,111,458	1,788,195

Note 10: Trade and other receivables

Current

Trade receivables	6,230,134	6,833,945	276,885	-
Other receivables	(269,634)	189,496	(75,000)	(79,214)
Accrued revenue	783,804	368,525	43,617	21,761
GST and other tax	(46,771)	(62,359)	63,726	9,008
	6,697,533	7,329,607	309,228	(48,445)

Note 11: Inventories

Current

At cost

Raw materials and stores	2,873,802	3,213,446	-	-
Work in progress	600,651	507,148	-	-
Finished goods	4,414,663	3,980,874	-	-
	7,889,116	7,701,468	-	-

Note 12: Financial assets

Current

Available for sale financial assets:

- Shares in listed corporations, at fair value	110,000	105,000	110,000	105,000
--	----------------	----------------	----------------	----------------

Available for sale financial assets comprise investments in the ordinary capital of a listed entity. There are no fixed returns or fixed maturity date attached to this investment.

Note 13: Other current assets

Deposits to suppliers	586,173	198,252	-	3,520
Other fees on purchase of assets	-	86,403	-	69,897
Prepayments	253,370	242,353	57,653	88,416
	839,543	527,008	57,653	161,833

Notes to the financial statements for the year ended 30 June 2007

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent Entity 2007 \$	Parent Entity 2006 \$
Note 14: Property, plant and equipment				
Land and buildings				
Leasehold Land at cost	1,639,711	759,904	-	-
Less: accumulated depreciation	(10,811)	(900)	-	-
Total Leasehold Land	<u>1,628,900</u>	<u>759,004</u>	-	-
Buildings at cost	311,697	-	-	-
Less: accumulated depreciation	(520)	-	-	-
Total Buildings	<u>311,177</u>	-	-	-
Land and Buildings at valuation	1,922,715	2,028,577	770,000	770,000
Less: accumulated depreciation	(42,320)	(17)	(19,250)	-
Total Land and Buildings at valuation	<u>1,880,395</u>	<u>2,028,560</u>	<u>750,750</u>	<u>770,000</u>
Total Land and buildings	<u>3,820,472</u>	<u>2,787,564</u>	<u>750,750</u>	<u>770,000</u>
Plant and equipment				
Furniture & Fittings at cost	625,330	642,552	191,198	183,995
Less : accumulated depreciation	(338,703)	(367,279)	(180,921)	(178,669)
Total Furniture & Fittings	<u>286,627</u>	<u>275,273</u>	<u>10,277</u>	<u>5,326</u>
Computer & office equipment at cost	1,003,212	1,210,185	154,204	88,713
Less : accumulated depreciation	(708,115)	(894,764)	(89,668)	(45,482)
Total computer & office equipment	<u>295,097</u>	<u>315,421</u>	<u>64,536</u>	<u>43,231</u>
Leasehold Improvements at cost	3,867,957	317,766	490,348	5,939
Less : accumulated depreciation	(94,469)	(86,608)	(1,012)	(288)
Total Leasehold Improvements	<u>3,773,488</u>	<u>231,158</u>	<u>489,336</u>	<u>5,651</u>
Computer software at cost	524,506	572,747	347,797	322,334
Less : accumulated depreciation	(400,656)	(347,405)	(256,389)	(145,498)
Total Computer software at cost	<u>123,850</u>	<u>225,342</u>	<u>91,408</u>	<u>176,836</u>
Motor Vehicles at cost	55,093	68,722	-	-
Less : accumulated depreciation	(26,179)	(58,238)	-	-
Total Motor Vehicle	<u>28,914</u>	<u>10,484</u>	-	-
Total plant and equipment	<u>4,507,976</u>	<u>1,057,678</u>	<u>655,557</u>	<u>231,044</u>
Total property, plant and equipment	<u>8,328,448</u>	<u>3,845,242</u>	<u>1,406,307</u>	<u>1,001,044</u>

The group's land and buildings were revalued at 30 June 2006 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. There was no material difference between the valuation at 30 June 2006 and 30 June 2007.

Notes to the financial statements for the year ended 30 June 2007

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	Acquisition of subsidiary	Revaluation increment / (decrement)	Foreign exchange gain/(loss)	Depreciation expense	Disposals	Balance at the end of year
	\$	\$	\$	\$	\$	\$	\$	\$
Economic Entity								
Leasehold Land	759,004	943,724	-	-	(63,290)	(10,538)	-	1,628,900
Buildings	-	311,697	-	-	-	(520)	-	311,177
Land & buildings	2,028,560	-	-	-	(105,862)	(42,303)	-	1,880,395
Furniture & Fittings	275,273	101,326	-	-	(35,623)	(51,492)	(2,857)	286,627
Computer & office Equipment	315,421	176,865	-	-	(11,576)	(178,773)	(6,840)	295,097
Leasehold Improvements	231,158	3,691,467	-	-	(72,966)	(71,524)	(4,647)	3,773,488
Computer software	225,342	41,955	-	-	(1,193)	(142,019)	(235)	123,850
Motor Vehicle	10,484	32,126	-	-	(6,077)	(7,619)	-	28,914
Total	3,845,242	5,299,160	-	-	(296,587)	(504,788)	(14,579)	8,328,448
Parent Entity								
Land & buildings	770,000	-	-	-	-	(19,250)	-	750,750
Furniture & Fittings	5,326	7,203	-	-	-	(2,252)	-	10,277
Computer & office Equipment	43,231	66,338	-	-	-	(44,555)	(478)	64,536
Leasehold Improvements	5,651	484,409	-	-	-	(724)	-	489,336
Computer software	176,836	26,135	-	-	-	(111,328)	(235)	91,408
Total	1,001,044	584,085	-	-	-	(178,109)	(713)	1,406,307

Economic Entity 2007	Economic Entity 2006	Parent Entity 2007	Parent Entity 2006
\$	\$	\$	\$

Note 15: Product development, tools

Product Design :

At cost	7,786,158	5,025,262	-	-
Less : accumulated depreciation	(565,138)	(443,825)	-	-
Total Product Design	7,221,020	4,581,437	-	-

Total Product development

7,221,020	4,581,437	-	-
------------------	------------------	----------	----------

Product Tools :

At cost	3,133,683	2,970,717	-	-
Less : accumulated depreciation	(1,470,015)	(1,236,261)	-	-
Total Product tools	1,663,668	1,734,456	-	-

Production, QA, Lab Equipment :

At cost	131,027	138,503	-	-
Less : accumulated depreciation	(62,310)	(54,120)	-	-
Total Production, QA and Lab Equipment	68,717	84,383	-	-

Total Product tools and production

1,732,385	1,818,839	-	-
------------------	------------------	----------	----------

Total Product development and tools

8,953,405	6,400,276	-	-
------------------	------------------	----------	----------

ITL Limited and Controlled Entities
ABN 16 088 212 088

Notes to the financial statements for the year ended 30 June 2007

Note 15: Product development and tools (Cont'd)

(a) Movements in carrying amounts

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

	Balance at the beginning of year	Additions	Acquisition of subsidiary	Foreign exchange gain/(loss)	Depreciation /amortisation Expense	Disposals	Balance at the end of year
	\$	\$	\$	\$	\$	\$	\$
Economic Entity							
Product design	4,581,437	2,757,990	-	2,788	(121,195)	-	7,221,020
Product tools	1,734,456	387,362	-	(99,145)	(356,420)	(2,585)	1,663,668
Production, QA and lab	84,383	4,174	-	(2,518)	(17,322)	-	68,717
Total	6,400,276	3,149,526	-	(98,875)	(494,937)	(2,585)	8,953,405

(b) Impairment losses

The total impairment loss recognised in the income statement during the year amounted to \$nil (2006: \$485,769) and is separately presented in the income statement as 'impairment of capitalised research and development and tools'.

During the previous year it was identified that several product lines had indications of limited sales into the future, the capitalised development costs and tools related to these products were impaired by 50 to 100% based on the projected future activity and usefulness to the economic entity.

	Economic Entity 2007	Economic Entity 2006	Parent Entity 2007	Parent Entity 2006
	\$	\$	\$	\$

Note 16: Intangible assets

Business development software at cost	481,099	-	481,099	-
Patents, trademarks and licenses at cost	1,996,559	1,948,790	-	-
Less : accumulated amortisation	(1,290,329)	(1,137,012)	-	-
	706,230	811,778	-	-
Goodwill at cost	9,968,155	9,448,001	-	-
	11,155,484	10,259,779	-	-

(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	Acquisitions through business combinations	Foreign exchange gain/(loss)	Amortisation Expense	Disposals	Balance at the end of year
	\$	\$	\$	\$	\$	\$	\$
Economic Entity							
Business development software	-	481,099	-	-	-	-	481,099
Patents, trademarks and licenses	811,778	47,769	-	-	(153,317)	-	706,230
Goodwill	9,448,001	548,057	-	(27,903)	-	-	9,968,155
Total	10,259,779	1,076,925	-	(27,903)	(153,317)	-	11,155,484
Parent Entity							
Business development software	-	481,099	-	-	-	-	481,099

Notes to the financial statements for the year ended 30 June 2007

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent Entity 2007 \$	Parent Entity 2006 \$
Note 17: Financial Assets				
Non-current				
Available for sale financial assets:				
- Shares in controlled unlisted entities, at cost	-	-	12,477,219	11,651,386
Note 18: Trade and other receivables				
Non Current				
Amounts receivable from wholly owned subsidiaries	-	-	10,744,039	10,674,429
Note 19: Trade and other payables				
Current				
<i>Unsecured liabilities</i>				
Trade payables	2,949,696	3,238,047	174,354	254,862
Sundry payables and accrued expenses	1,695,452	3,505,272	234,059	441,831
	4,465,148	6,743,319	408,413	696,693
Note 20: Financial Liabilities				
Current				
<i>Secured liabilities</i>				
Bank overdrafts	2,454,936	1,941,037	-	-
Bank loans	260,826	95,814	-	-
Hire purchase liability	288,300	195,616	66,184	-
	3,004,062	2,232,467	66,184	-
Non Current				
<i>Secured liabilities</i>				
Bank loans	3,127,489	667,944	-	-
Hire purchase liability	411,661	192,605	299,952	-
	3,539,150	860,549	299,952	-
(a) Total current and non-current secured liabilities:				
Bank overdraft	2,454,936	1,941,037	-	-
Bank loan	3,388,315	763,758	-	-
Hire purchase liability (refer note 26 (a))	699,961	388,220	366,136	-
	6,543,212	3,093,015	366,136	-

Notes to the financial statements for the year ended 30 June 2007

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent Entity 2007 \$	Parent Entity 2006 \$
Note 20: Financial Liabilities (Cont'd)				
(b) The carrying amounts of non-current assets pledged as security are:				
First mortgage				
Land and buildings	6,460,091	1,258,560	-	-
Hire purchase assets (net liability)	485,449	-	-	-
Other assets pledged as security	85,260	301,371	-	-
Total assets pledged as security	7,030,800	1,559,931	-	-

(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.

Heal Marketing 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 Heal Marketing Sdn Bhd, joint and several guarantee by the directors of Heal Marketing Sdn Bhd and a pledge of fixed deposits of Heal Marketing 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) Heal Marketing Sdn Bhd's Hire purchase liability is secured by a guarantee.

Note 21: Tax

a. Liabilities

Current

Income tax	(38,049)	74,020	-	-
------------	-----------------	---------------	---	---

Non Current

Deferred tax liability comprises:

Tax allowances relating to property, plant and equipment	159,696	165,779	196,121	192,843
Revaluation adjustments taken directly to equity	(184,316)	(184,316)	(184,316)	(184,316)
Other	292,615	62,031	390,569	357,336
	267,995	43,494	402,374	365,863

Notes to the financial statements for the year ended 30 June 2007

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent Entity 2007 \$	Parent Entity 2006 \$
Note 21: Tax (Cont'd)				
b. Assets				
There are no deferred tax assets.				
c. Reconciliations				
i. Gross Movements				
The overall movement in the deferred tax account is as follows:				
Opening balance	43,494	342,282	365,863	342,000
(Charge) / credit to income statement (note 5)	224,501	(273,454)	36,094	60,572
Charge to equity	-	(25,334)	417	(36,709)
Closing balance	<u>267,995</u>	<u>43,494</u>	<u>402,374</u>	<u>365,863</u>
ii. Deferred Tax Liability				
The movement in deferred tax liability for each temporary difference during the year is as follows:				
Tax allowances relating to property, plant and equipment:				
Opening balance	165,779	158,621	192,843	158,621
Charged to income statement	(6,083)	7,158	3,278	34,222
Closing balance	<u>159,696</u>	<u>165,779</u>	<u>196,121</u>	<u>192,843</u>
Tangible assets revaluation adjustments taken directly to equity:				
Opening balance	(184,316)	(176,816)	(184,316)	(176,816)
Net revaluations during the current period	-	(7,500)	-	(7,500)
Closing balance	<u>(184,316)</u>	<u>(184,316)</u>	<u>(184,316)</u>	<u>(184,316)</u>
Other:				
Opening balance	62,031	360,477	357,336	360,195
Charged to income statement	230,583	(298,446)	33,233	(2,859)
Closing balance	<u>292,614</u>	<u>62,031</u>	<u>390,569</u>	<u>357,336</u>

iii. Deferred Tax Assets

There were no movements in deferred tax assets for each temporary difference during the year.

Notes to the financial statements for the year ended 30 June 2007

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent Entity 2007 \$	Parent Entity 2006 \$
Note 22: Provisions				
Short-term				
Employee benefits	648,798	540,557	281,375	185,292
Long-term				
Employee benefits	33,256	33,256	33,256	33,256
	Opening balance at 1 July 2006 \$	Additional provisions \$	Amounts used \$	Balance at 30 June 2007 \$
Economic Entity				
Employee benefits	573,813	560,967	(452,726)	682,054
Parent Entity				
Employee benefits	218,548	265,468	(169,385)	314,631

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 has been included in Note 1 to this report.

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent Entity 2007 \$	Parent Entity 2006 \$
Note 23: Other non-current liabilities				
Deferred TINA R&D grant income	2,654,968	2,011,384	-	-
	2,654,968	2,011,384	-	-

Note 24: Issued Capital

123,211,972 (2006: 101,314,000) fully paid ordinary shares	38,024,014	28,103,050	38,024,014	28,103,050
a. Ordinary shares				
At beginning of reporting period	28,103,050	27,700,200	28,103,050	27,700,200
Shares issued during the period:				
1,200,000 shares issued on 20 January 2006	-	270,000	-	270,000
500,000 shares issued on 8 March 2006	-	100,000	-	100,000
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	-
Value of options issued	-	32,850	-	32,850
	38,024,014	28,103,050	38,024,014	28,103,050

Notes to the financial statements for the year ended 30 June 2007

	Economic Entity 2007	Economic Entity 2006	Parent Entity 2007	Parent Entity 2006
Note 24: Issued Capital (cont'd)				
	No.	No.	No.	No.
At beginning of reporting period	101,314,000	99,614,000	101,314,000	99,614,000
Shares issued during the period:				
1,200,000 shares issued on 20 January 2006	-	1,200,000	-	1,200,000
500,000 shares issued on 8 March 2006	-	500,000	-	500,000
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	-
	123,211,972	101,314,000	123,211,972	101,314,000

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.

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 2007

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent Entity 2007 \$	Parent Entity 2006 \$
Note 26: Capital and Leasing Commitments				
(a) Hire purchase payables				
Payable				
- not later than 1 year	329,682	217,679	90,221	-
- later than 1 year but not later than 5 years	464,209	199,539	343,583	-
- later than 5 years		-	-	-
Minimum hire purchase payments	793,891	417,218	433,804	-
Less future finance charges	(93,930)	(28,998)	(67,668)	-
Total hire purchase liability	699,961	388,220	366,136	-
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	547,506	163,582	-	-
- later than 1 year but not later than 5 years	1,522,470	75,714	-	-
- later than 5 years		-	-	-
	2,069,976	239,296	-	-
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	18,394	19,358	-	-
- later than 1 year but not later than 5 years	31,357	28,304	-	-
- later than 5 years		-	-	-
	49,751	47,662	-	-
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	521,304	-	-
- later than 1 year but not later than 5 years		-	-	-
- later than 5 years		-	-	-
	163,188	521,304	-	-

ITL Healthcare steriliser final instalment, it is due within 30 days of when the steriliser is ready to use.

Notes to the financial statements for the year ended 30 June 2007

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent Entity 2007 \$	Parent Entity 2006 \$
Note 27: Cash Flow Information				
(a) Reconciliation of Cash Flows from Operations with Profit/(loss) after Income Tax				
Profit/(loss) after income tax	1,742,917	3,257,385	77,814	(257,159)
Cash flows excluded from profit/(loss) attributable to operating activities				
Non-cash flows in profit/(loss):				
Depreciation and Amortisation	1,153,042	1,048,958	178,109	132,368
Net (gain)/loss on disposal of property, plant and equipment	17,164	(54,504)	713	(79,160)
Write-off of capitalised development costs	-	485,769	-	-
Unrealised loss on foreign currency transactions	(197,786)	91,082	-	-
Corporate recharge income	-	-	(3,263,808)	(2,174,832)
Income on change in company structure	-	-	-	-
Assumption of tax liabilities from subsidiaries	-	-	-	(470,711)
Loss on revaluation of land and buildings	-	3,344	-	-
Expenses borne by other members of the group	-	-	1,667,622	-
(Gain)/loss on revaluation of listed shares	(15,037)	70,000	(15,037)	70,000
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:				
(Increase)/decrease in trade and term receivables	1,197,548	(1,046,099)	(332,297)	135,523
(Increase)/decrease in prepayments	(11,017)	93,860	30,763	45,727
(Increase) in accrued income	(415,279)	(249,285)	(21,856)	(11,190)
(Increase) in inventories	(187,648)	(1,245,081)	-	-
Increase/(decrease) in trade payables and accruals	(1,632,721)	804,504	(288,280)	11,814
Increase in other liabilities	643,584	2,011,384	-	-
Increase in taxes payable	112,432	750,189	36,094	679,665
Increase in provisions	108,241	208,226	96,083	151,885
Cash flow from operations	2,515,440	6,229,732	(1,834,080)	(1,766,070)

(b) Acquisition of Entities

Surgicare Pty Limited

On 24 October 2003 100% of the controlled entity was acquired. Details of the transaction are:

Cash consideration associated with acquisition	500,000	104,375	-	-
Other (non-cash) costs associated with acquisition	48,057	-	-	-
Total purchase	548,057	104,375	-	-
Goodwill on acquisition	548,057	104,375	-	-
Total additional cost for Surgicare Pty Limited	548,057	104,375	-	-

ITL Limited and Controlled Entities
ABN 16 088 212 088

Notes to the financial statements for the year ended 30 June 2007

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent Entity 2007 \$	Parent Entity 2006 \$
Note 27: Cash Flow Information (Cont'd)				
(b) Acquisition of Entities (Cont'd)				
Heal Marketing Sdn Bhd and Heal Mediware Sdn Bhd				
On 1 January 2006 100% of the controlled entity was acquired. Details of the transaction are:				
Purchase consideration	415,221	2,160,786	-	-
Cash consideration	348,071	1,675,620	-	-
Share issue consideration	-	270,000	-	-
Options issue consideration	67,150	32,850	-	-
Costs associated with acquisition	-	182,316	-	-
Unpaid consideration	-	465,450	-	-
Total purchase	415,221	2,626,236	-	-
Fair value of assets acquired (see below)	-	899,752	-	-
Other financial assets	-	-	-	-
Goodwill	415,221	1,673,974	-	-
Foreign currency reserve movements	-	52,510	-	-
	415,221	2,626,236	-	-
Assets and liabilities held at acquisition date:				
Cash	-	377,243	-	-
Receivables	-	1,946,472	-	-
Inventories	-	1,293,000	-	-
Prepayments	-	75,113	-	-
Property, plant and equipment	-	49,975	-	-
Payables	-	(830,871)	-	-
Interest-bearing liabilities	-	(2,023,879)	-	-
Tax liabilities	-	12,699	-	-
Net assets acquired	-	899,752	-	-
Purchase consideration settled in cash	348,071	1,675,620	-	-
Costs associated with acquisition	-	182,316	-	-
Less amounts paid in previous year	-	(423,860)	-	-
Cash acquired on acquisition	-	1,120,734	-	-
Total cost of Heal Marketing Sdn Bhd acquisition, net of cash acquired	348,071	2,554,810	-	-
Total payment for Subsidiaries, net of cash acquired	848,071	2,659,185	-	-

The additional goodwill is attributable to the future high profitability of the acquired businesses expected to arise since the acquisition of Surgicare Pty Ltd and Heal Marketing Sdn Bhd. Full control of the companies was gained in prior years and at that time their assets and liabilities arising from the acquisition are recognised at fair value which is equal to its carrying value and their profits were included in the consolidated profit of the group.

Notes to the financial statements for the year ended 30 June 2007

	Economic Entity 2007 \$	Economic Entity 2006 \$	Parent Entity 2007 \$	Parent Entity 2006 \$
Note 27: Cash Flow Information (Cont'd)				
(c) Non-cash Financing Activities				
None				
(d) Credit Standby Arrangements with Banks				
Credit facility	4,348,260	3,734,786	-	-
Amount utilised	2,454,936	2,329,257	-	-
	1,893,324	1,405,529	-	-

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	5,561,125	1,508,478	-	-
Amount utilised	3,525,380	763,758	-	-
	2,035,745	744,720	-	-

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

There were no contingent liabilities or assets arising during the financial year to 30 June 2007 or to the date of this report.

ITL Limited and Controlled Entities
ABN 16 088 212 088

Notes to the financial statements for the year ended 30 June 2007

Note 29: Controlled Entities

(a) Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)	Percentage Owned (%)
		2007	2006
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:			
Heal Marketing Sdn Bhd	Malaysia	100%	-
Subsidiaries of Heal Marketing Sdn Bhd:			
Heal Mediware Sdn Bhd	Malaysia	100%	-

(b) Controlled Entities Acquired

None.

(c) Controlled Entities Disposed

None.

Economic Entity	Economic Entity	Parent Entity	Parent Entity
2007	2006	2007	2006
\$	\$	\$	\$

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 2007

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

(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 Risks

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.

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

Notes to the financial statements for the year ended 30 June 2007

Note 32: Financial Instruments (Cont'd)

(b) Financial Instruments

i. Interest Rate Risk

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

	Non-Interest Bearing Rate		Floating Interest Rate		Fixed Interest Within 1 Year		Rate Maturing 1 to 5 Years	
	2007	2006	2007	2006	2007	2006	2007	2006
Financial Assets								
Cash on hand	3,613	2,295	-	-	-	-	-	-
Cash at bank	-	-	9,034,617	5,375,075	-	-	-	-
Receivables	6,697,533	7,329,609	-	-	-	-	-	-
Total Financial Assets	6,701,146	7,331,904	9,034,617	5,375,075	-	-	-	-
Weighted Average Effective Interest Rate	-	-	6.00%	3.20%	-	-	-	-
Financial Liabilities								
Trade accounts payable	4,465,148	6,743,319	-	-	-	-	-	-
Bank overdraft	-	-	2,454,936	1,941,037	-	-	-	-
Bank loans	-	-	-	-	260,826	95,814	3,127,489	667,944
Hire purchase liability	-	-	-	-	288,300	195,616	411,661	192,605
Total Financial Liabilities	4,465,148	6,743,319	2,454,936	1,941,037	549,126	291,430	3,539,150	860,549
Weighted Average Effective Interest Rate	-	-	7.94%	5.49%	8.21%	8.38%	7.71%	8.57%

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 economic entity intends to hold these assets to maturity.

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

	Carrying amount 2007	Net fair value 2007	Carrying amount 2006	Net fair value 2006
	\$	\$	\$	\$
Financial Assets				
Loans and receivables	6,697,533	6,697,533	7,329,609	7,329,609
Financial Liabilities				
Other loans and amounts due	8,553,424	8,553,424	7,895,298	7,895,298

Fair values are materially in line with carrying values.

Notes to the financial statements for the year ended 30 June 2007

	Economic Entity 2007 \$	Economic Entity 2006 \$
Note 33: Segment Reporting		
Primary Reporting – Business Segment		
Segment revenue		
- Innovative products division (IPD)	9,858,798	9,602,058
- Hospital services division (HSD)	25,282,152	21,553,597
- Corporate and other	142,431	118,602
	<u>35,283,380</u>	<u>31,274,257</u>
Segment result		
- IPD ¹	2,113,189	2,455,759
- HSD	3,078,826	3,292,128
- Corporate and other ²	(3,449,098)	(2,490,502)
	<u>1,742,917</u>	<u>3,257,385</u>
Segment assets		
- IPD	16,301,093	16,588,306
- HSD	23,010,638	19,209,178
- Corporate and other	13,700,028	5,748,266
	<u>53,011,759</u>	<u>41,545,750</u>
Segment liabilities		
- IPD	5,381,987	5,815,351
- HSD	7,892,761	5,913,269
- Corporate and other	1,480,580	810,426
	<u>14,755,328</u>	<u>12,539,046</u>
Acquisitions on non-current segment assets		
- IPD	3,445,263	5,109,783
- HSD	5,015,164	2,124,119
- Corporate and other	1,065,184	153,013
	<u>9,525,611</u>	<u>7,386,915</u>
Depreciation and amortisation of segment assets		
- IPD	723,738	806,737
- HSD	252,545	113,422
- Corporate and other	178,108	132,368
	<u>1,154,391</u>	<u>1,052,527</u>
Less: Depreciation included in COGS	(367,047)	(330,191)
	<u>787,344</u>	<u>722,336</u>
¹ IPD result includes non-recurring:		
Litigation expenses	9,573	153,822
Impairment of capitalised research and development and related tools	-	485,769
	<u>9,573</u>	<u>639,591</u>
² Corporate and other result includes non-recurring:		
Litigation expenses	276,741	-
	<u>276,741</u>	<u>-</u>

Notes to the financial statements for the year ended 30 June 2007

	Economic Entity 2007 \$	Economic Entity 2006 \$
Note 33: Segment Reporting (cont'd)		
Secondary Reporting – Geographical Segment		
Segment Revenue		
- Australia	17,385,465	18,867,896
- North America	8,295,566	7,660,457
- Europe	967,626	918,359
- Asia	8,634,723	3,827,545
	35,283,380	31,274,257
Carrying Amount of Segment Asset		
- Australia	40,721,649	27,687,337
- North America	206,471	309,515
- Europe	84,252	188,849
- Asia	11,999,387	13,360,049
	53,011,759	41,545,750
Acquisition of non-current Segment Asset		
- Australia	7,927,742	3,184,287
- North America	22,378	89,558
- Europe	-	2,015
- Asia	1,575,491	4,111,055
	9,525,611	7,386,915

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 2007

Note 34: Share-based Payments

Employee Share Option Arrangement

On 28 February 2005 4,050,000 share options were granted to all executives under the Executive Share Option Plan to accept ordinary shares at an exercise price of \$0.20. The options were exercisable between 1 March 2006 and 31 August 2006. Under the company's share trading policy employees are not permitted to trade in ITL shares between 30 June and 24 hours after the lodgement with the Australian Stock Exchange of the Appendix 4E, 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 2007 was \$0.375 (30 June 2006: \$0.34).

	Economic Entity		Parent Entity	
	2007	2006	2007	2006
	No.	No.	No.	No.
(a) Movement in the number of share options held are as follows				
Opening balance	3,800,000	4,650,000	3,800,000	4,650,000
Granted during the year	-	500,000	-	500,000
Exercised during the year	(3,550,000)	(500,000)	(3,550,000)	(500,000)
Lapsed during the year	(250,000)	(850,000)	(250,000)	(850,000)
Closing balance	-	3,800,000	-	3,800,000

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

None

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 Standard	Application Date for Group
AASB 2005-10 Amendments to Australian Accounting Standards	AASB 1 AASB 4 AASB 101 AASB 114 AASB 117 AASB 133 AASB 1023 AASB 1038 AASB 139	First time adoption of AIFRS Insurance Contracts Presentation of Financial Statements Segment Reporting Leases Earnings per Share General Insurance Contracts Life Insurance Contracts Financial Instruments: Recognition and Measurement	1 Jan 2007	1 July 2007
AASB 7 Financial Instruments: Disclosures	AASB 132	Financial Instruments: Disclosure and Presentation As above.	1 Jan 2007	1 July 2007

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

ITL Limited and Controlled Entities
ABN 16 088 212 088

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 2007 and of the performance for the year ended on that date of the company and the economic entity;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view;
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The company and its wholly-owned subsidiaries ITL Needle Guard Corporation Pty Ltd ACN 072 906 319, ITL Corporation Pty Ltd ACN 085 025 538, Noble House Group Pty Ltd ACN 063 482 806, ITL Design and Manufacturing Pty Ltd ACN 105 267 070, ITL HealthCare Pty Ltd ACN 100 701 004 and Surgicare Pty Limited ACN 005 611 772 have entered into a deed of cross guarantee under which the company and its 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 21st day of August 2007



WALTERTURNBULL
your extra asset

INDEPENDENT AUDIT 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, which comprises the balance sheet as at 30 June 2007, 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.

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.

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.

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 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.

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

WalterTurnbull Building
44 Sydney Avenue
BARTON ACT 2600
GPO Box 1955
CANBERRA ACT 2601
Tel 02 6247 6200
Fax 02 6257 6655
www.walturn.com.au
walturnbull@walturn.com.au
A division of
WalterTurnbull Pty Ltd
ABN 97 099 740 879

[BUSINESS ADVISORY SERVICES](#)

[ASSURANCE SERVICES](#)

[MANAGEMENT CONSULTING](#)

[FINANCIAL PLANNING](#)

[INSOLVENCY SERVICES](#)

[ACCOUNTING SOLUTIONS](#)





WALTERTURNBULL
your extra asset

Independence

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

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

Auditor's Opinion

In our opinion the financial report of ITL Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

A B Papps
Registered Company Auditor
Walter Turnbull

Canberra, ACT
22 August, 2007

WalterTurnbull Building
44 Sydney Avenue
BARTON ACT 2600
GPO Box 1955
CANBERRA ACT 2601
Tel 02 6247 6200
Fax 02 6257 6655
www.walturn.com.au
walterturnbull@walturn.com.au
A division of
WalterTurnbull Pty Ltd
ABN 97 099 740 879

[BUSINESS ADVISORY SERVICES](#)

[ASSURANCE SERVICES](#)

[MANAGEMENT CONSULTING](#)

[FINANCIAL PLANNING](#)

[INSOLVENCY SERVICES](#)

[ACCOUNTING SOLUTIONS](#)

