IMD GROUP LIMITED

ABN 30 096 048 912

Level 8
261 George Street
Sydney NSW 2000
Australia
Tel: 61 2 9247 5087
Fax: 61 2 9247 7273

13 September 2006

The Manager - Companies
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

(45 pages by email)

Dear Madam,

RE: APPENDIX 4E - PRELIMINARY FINAL REPORT

I attach the Company's Appendix 4E Preliminary Final Report for the year ended 30 June 2006.

Yours sincerely

Peter J. Nightingale
Company Secretary

pjn3615

Appendix 4E

Preliminary final report

Name of entity

IMD GROUP LIMITED

ABN or equivalent company reference	Financial year ended ('current period')
30 096 048 912	**30 JUNE 2006**

Results for announcement to the market

Revenues from ordinary activities	up	95%	to	$634,765
Loss from ordinary activities after tax attributable to members	down	5%	to	$2,266,839
Net loss for the period attributable to members	down	5%	to	$2,266,839

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend Interim dividend	Nil Nil	Nil Nil
Previous corresponding period Final dividend Interim dividend	Nil Nil	Nil Nil

Record date for determining entitlements to the dividend.	N/A

Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

Refer attached Financial Report for the year ended 30 June 2006.

NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	1.3 cents	3.7 cents

The attached Financial Report, which form part of this Appendix 4E, are in the process of being audited.

IMD GROUP
LIMITED

2006
ANNUAL REPORT

IMD GROUP LIMITED
AND ITS CONTROLLED ENTITIES

Corporate Directory

DIRECTORS

Mr Keith Cadell (Chairman)
Mr Peter E Roberts
Mr Thomas J Mann

CHIEF EXECUTIVE OFFICER

Mr Robert Krakowiak

COMPANY SECRETARY

Mr Peter J Nightingale

REGISTERED OFFICE

Level 8, 261 George Street
SYDNEY NSW 2000 Australia
Phone: +61-2 9247 5087
Fax: +61-2 9247 7273
Email: info@imdgroup.com.au
Website: www.imdgroup.com.au

PRINCIPAL OFFICE

Suite 306, Level 3
Gateway Business Park
63-79 Parramatta Road
SILVERWATER NSW 2128 Australia

AUDITORS

KPMG
Level 30, Central Plaza One
345 Queen Street
BRISBANE QLD 4000 Australia

SHARE REGISTRAR

Computershare Investor Services Pty Limited
PO Box 523
BRISBANE QLD 4000 Australia
Phone: +61-7 3237 2100
Fax: +61-7 3229 9860

IMD GROUP LIMITED
AND ITS CONTROLLED ENTITIES

Chairman's Letter

Dear Fellow Shareholder

At the end of IMD Group's first full year as a listed entity on the Australian Stock Exchange, the Company is poised to reap the benefits of the Company's continued focus on the development, manufacture and distribution of safety products for the healthcare industry.

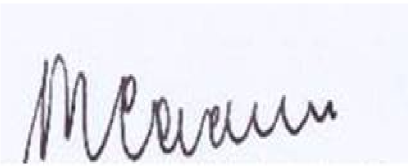
In recent months, the Company has finalised a number of key agreements for the supply and distribution of IMD Group products to the Australian and international markets. These agreements provide a solid base from which the Company will be able to grow and also underline the confidence that other parties are showing in the Company's key suite of products.

Product development remains a key activity for the Company and its future and, to this end, a number of regulatory approvals were achieved during the year.

Unfortunately during the year the Company's founder Mr Robert Archer resigned as a director due to ongoing health problems and we welcomed the appointment of Mr Tom Mann as a non-executive director.

I would personally like to thank the dedicated team of IMD Group employees and my fellow directors for their continued efforts. We all look forward to 2007 with confidence.

Yours faithfully



Keith Cadell
Chairman

OVERVIEW

The year ended 30 June 2006 has been a critical period for IMD Group Limited and its controlled entities ('IMD' or the 'Company').

The primary focus of the Company continues be on the development, manufacture and distribution a range of medical devices, which are targeted at reducing the incidence of sharps injuries within the global healthcare industry. However, the Company is now developing a particular expertise in medical device sourcing including the outsourced manufacturing of medical devices and related products for distribution by major international medical device companies.

Some of the significant achievements in the past 12 months include:

- Signing of a Heads of Agreement with Inviro Medical in the US that has resulted in a number of ongoing commercial agreements engaging IMD as a preferred supplier of Inviro patented safety medical devices and other medical devices sourced by IMD through IMD’s manufacturing partners in China.
- Signing of a Memorandum of Understanding with the Australian Branch of Terumo Corporation and the negotiation of a 2 year Supply Agreement for IMD to be an exclusive supplier to Terumo for an extensive range of sharps collectors.
- Following a successful exhibition at Medica in Düsseldorf the Company gained entry into the European market with the appointment of D. Analytical as the Company’s distributor in Greece and the first order for IMD products being executed.
- Successful completion of the PATH order in India for the supply of 14,000 needle cutters, with that organisation placing orders for an additional 2,000 units since January 2006.
- Successful trial of IMD’s manual retractable safety syringe in the City of Copenhagen’s drug and alcohol program.
- Entry into the Middle East market with the appointment of Al-Sumow Medical as the Company's distributor in Kuwait and the first order for IMD products being executed.
- Accessing the Central Asian markets through the sale of needle cutters to the Swiss Red Cross in Kyrgyzstan and the supply of sharps collectors to the United Nations Global Fund* through the appointment of MedHiTech as IMD’s distributor in that region.
- Signing of a manufacturing agreement with Eversincere Sanxin Medical Device Group for the manufacture of a range of products to be supplied to Inviro Medical in the USA.
- Invitation to tender for the supply of needle cutters to UNICEF that has resulted in IMD signing a 2 year Long Term Agreement with that organisation.
- Following up from an initial contact at Medica the Company has signed an agreement with plastics manufacturer Arredo Plast in Italy for IMD to have exclusive distribution rights for Australia and parts of South East Asia for a comprehensive and complementary range of sharps collectors. This relationship will also provide the opportunity for IMD to supply Arredo Plast with a range of IMD sharps collectors to be sold under the AP Medical brand.
- Successful completion of a share placement and share purchase plan.

*The Global Fund to Fight AIDS, Tuberculosis and Malaria was created to dramatically increase resources to fight three of the world's most devastating diseases, and to direct those resources to areas of greatest need. As a partnership between governments, civil society, the private sector and affected communities, the Global Fund represents an innovative approach to international health financing. As a financing mechanism, the Global Fund works closely with other multilateral and bilateral organisations involved in health and development issues to ensure that newly funded programs are coordinated with existing ones. In many cases, these partners participate in local Country Coordinating Mechanisms, providing important technical assistance during the development of proposals and implementation of programs. Since 2001, the Global Fund has attracted US$4.7 billion in financing through 2008. In its first two rounds of grant making, it has committed US$ 1.5 billion in funding to support 154 programs in 93 countries worldwide.

PRODUCTS

The Company continues to focus on the sourcing, manufacture and distribution of the following products:

- BMDi Nomoresharps™ medical sharps collectors.
- BMDi Nomoresharps™ needle disposal units.
- Manual retractable safety syringes.

Through the close working relationship with Inviro Medical, IMD will source and have manufactured a range of Inviro Medical branded products including:

- InviroSTRIPE>> a patented technique for applying a “writeability” white label on syringe barrels
- Inviro*LINK*>> Vial Access Plastic Cannula is a patented vial access safety solution that offers passive protection to healthcare workers by replacing steel needles for withdrawing medication from vials.
- InviroSNAP! range of standard disposable and manual retractable safety syringes also incorporating Inviro Medical’s White Stripe feature.

Product development continues to be a key activity of the Company with projects including:

- Advancing the development of the BMDI auto retractable safety syringe with an estimated commencement of commercial production in late 2006.
- Ongoing new product development to enhance the sharps collector range including the new roll-top safety collector, which has recently been released onto the market.
- Ongoing evaluation of other IMD intellectual property including safety blood collection and IV therapy devices.

Overview of Product Groups

Medical Sharps Disposal Collectors

The medical sharps disposal collector is a core product, both internationally and in Australia. IMD continues to develop, manufacture and source a comprehensive range of these products which are available in most sizes commonly used for the disposal of general medical sharps waste. With the introduction of the products sourced from Italy and new products developed in-house, the Company can now compete across more market segments. The majority of new products being introduced by IMD are two piece, and therefore nestable, which makes them more economical to ship both domestically and internationally.

The Company's medical sharps disposal collectors have been specifically designed for simplicity of use to minimise mishandling and potential for needlestick injury or misuse of product. The collectors have been designed with a range of options which include an ergonomic grip jar lid for ease of securing the bin and added safety features such as a needle separation device, non-exit teeth on the mouth of the container to stop spillage and a unique design for capturing used syringes which prevents them from exiting the bin. The newer “roll-top” medical sharps disposal collector provides additional safety features for “point of use” applications particularly for use in patient accommodation and emergency care areas.

- All IMD products meet Australian Standard AS4031 and other international standards.
- The collectors have been designed with mind to manufacturing cost and ensuring they are available to the market at a competitive price relative to other manufacturers.

Nomoresharps™ Needle Disposal Unit

The Nomoresharps™ needle disposal unit continues to be a key product offering for the Company, particularly in developing countries such as India where more than 15,000 units have been sold. Recent sales to customers in Central and South East Asia and strong interest from African countries has encouraged further development and refinement of the product to ensure that IMD retains its competitive position.

The current model combines a high grade stainless steel cutting device connected to a secure sharps disposal container. With the needle and syringe tip inserted in the cutting aperture, the Nomoresharps™ system severs the hub from the syringe, allowing the needle pieces to fall straight into the sharps container. The remaining unusable syringe then goes to general clinical waste.

The Nomoresharps™ needle disposal units provide an extremely efficient and cost effective method of medical sharps disposal. The units have been developed primarily for use in the healthcare and hospital industry in developing countries, as well as in vaccination programs sponsored by the World Health Organisation, PATH and other multilateral and unilateral aid organisations to provide safe disposal of used needles.

Work continues on developing a lower cost plastic version of the needle cutter which will be released to the market after thorough evaluation and feedback by users and aid organisations.

Safety Syringes and Other Medical Devices

During the year, the Company has focused on sourcing safety syringes and other standard disposable products from its manufacturing partners in China, Weihai Medical Polymer Group Co. Ltd. ('Shandong Weigao') and Eversincere Sanxin Medical Device Group. The manual retractable safety syringe is one in which, at the end of the injection stroke, the plunger engages the needle carrier and then, upon retraction of the plunger, the needle is withdrawn safely into the barrel of the syringe, encapsulating the needle to prevent needle-stick injury. The plunger is then broken off at a designated weak point to render the syringe unusable.






In May 2006 the Company signed of a Heads of Agreement with Inviro Medical in the USA that has resulted in a number ongoing commercial agreements engaging IMD as a preferred supplier of Inviro patented safety medical devices and other medical devices sourced by IMD through IMD's manufacturing partners in China.

Founded in 1988, Inviro Medical is a medical device company that engineers and markets safe medication delivery systems, including the patented InviroSNAP! Safety Syringe. Inviro Medical was established by a surgeon and nurse motivated by concerns about the severe economic, medical and psychological consequences of accidental needlestick injuries. After years of research to develop its patents and refine its product designs, Inviro Medical is now poised to address the growing $1.6 billion global safety syringe market and is currently introducing its breakthrough technology in the USA and Canada. Headquartered in Atlanta, Georgia with regional sales offices throughout North America, Inviro Medical is becoming a leading industry champion in the quest to protect healthcare workers, patients and the environment with innovative medical devices. Inviro Medical recently commissioned one of the most comprehensive studies in recent years to assess attitudes and behaviours of needlestick prevention among US nurses and directors of infection control. The study revealed that a significant majority of US nurses report being stuck accidentally by a needle, some multiple times, and 47% of all nurses surveyed have been stuck by a contaminated needle.

IMD is already well advanced in the supply of a range of safety and standard disposable products to Inviro Medical with confirmed orders for 10 million Inviro*LINK* plastic needles, 1 million InviroSTRIPE syringes with Inviro*LINK* and 13 million InviroSNAP Safety Syringes with InviroSTRIPE.

DISTRIBUTION AND REGIONAL OPERATIONS

Australia

The operational headquarters of IMD are located at Gateway Business Park, Silverwater in the western suburbs of Sydney, Australia where all other regional managers, manufacturing, marketing, sales and research and development activities are controlled.

The Directors are all resident in Australia and are actively involved in the activities of the Company, with all three independent Directors each taking a specific responsibility for a geographic region in which the Company operates or proposes to operate in the near future. Robert Krakowiak continues as CEO with senior staff performing key roles within the Company.

During the year, the Company rationalised its product offering for the Australian market focusing almost entirely on the promotion and sale of sharps collectors and related clinical waste management products. This has resulted in IMD emerging as a leading supplier of quality sharps collectors securing key supply agreements with major distribution partners. The most notable of these being the recently signed 2 year supply agreement with Terumo Corporation.

The Company will continue to review other product options including medical safety devices based on market needs and IMD's ability to provide quality products at internationally competitive prices.

India

The India regional office has taken a more significant and strategic role for the business. As well as having provided IMD with solid results in terms of revenues and establishment of distribution channels across India and neighbouring markets the India office has achieved sales in Central Asia and the Middle East countries. As well as having eight distributors appointed and selling IMD products in India the regional office has appointed distributors in Saudi Arabia, Kuwait, Sri Lanka and Kyrgyzstan. Progress has also been made with securing a good distribution partner in Southern Africa.

During the year ended 30 June 2006, the Company successfully completed the delivery of 14,000 Nomoresharps™ Mini Back Pack needle disposal units and 28,000 medical sharps disposal containers to clinics for an immunisation program PATH is running with the Andhra Pradesh Government in India. As a result of the successful delivery of this project IMD has secured orders for an additional 1,500 needle disposal units from PATH in Andhra Pradesh and is negotiating for the supply of the same product offering to the neighbouring state of Karnataka where PATH has established another health project.

Consistent with IMD's focus on providing cost-effective safety medical devices for use by healthcare practitioners in developing countries, the India office been successful in demonstrating and promoting the use of the Nomoresharps needle disposal system (needle cutter) to all levels of healthcare service providers including state and national government health departments, private hospital operators, NGO's, multilateral aid agencies and right down to small general medical practices in metropolitan cities through out India. One of the more significant outcomes achieved from this focused campaign has been the recently signed UNICEF 2 year supply agreement.

China

China continues to be an integral part of the Company’s sourcing and manufacturing strategy. Currently the Company has manufacturing agreements with three Chinese manufacturers located in Weihai in Shandong Province, Nanchang in Jiangxi Province and Nanhai in Guangdong Province. Negotiations are well advanced with another three companies.

Early this year the Company closed down its office in the Changsha National High Technology Industrial Development Zone in Lu Valley, Hunan Province with a view to establishing an office in Shanghai to better support IMD's product sourcing and manufacturing activities in China.

North America

During the year ended 30 June 2006, the Company entered into discussions with Inviro Medical, a USA based safety medical devices company, and in June 2006 IMD and Inviro Medical entered into a Heads of Agreement which provides for IMD to be a source of supply for a number of Inviro Medical products including:

- Inviro*LINK*>> Vial Access Plastic Cannula, a patented vial access safety solution that offers passive protection to healthcare workers by replacing steel needles for withdrawing medication from vials. The Inviro*LINK*>> provides a safer alternative for vial access syringe filling for patient injection or for injection into a split septum or needlefree connector IV site. The Inviro*LINK*>> Vial Access Plastic Cannula requires little or no change in existing protocols and is simple to use.
- Inviro*LINK*>> Vial Access Plastic Cannula Luer Lock Syringe, a medication delivery system which incorporates the Inviro*LINK*>> Vial Access Plastic Cannula fitted to a standard Luer Lock Syringe and incorporating the Inviro patented “White Stripe”.
- InviroSNAP! Luer Lock Safety Syringe Exchangeable Needle Injection System which is a custom-engineered manually retractable syringe that provides unique safety features with the added ability to exchange needles, or to use the Inviro*LINK*>> Vial Access Plastic Cannula.

IMD has received orders for all of these products and in the process of fulfilling these orders.

In addition to the markets referred to above, IMD is actively pursuing opportunities in the following markets.

Europe

In November 2005 IMD exhibited at Medica in Düsseldorf. This was the Company's first exposure to the European market and has resulted in the appointment of distributors in Greece, Denmark, the Middle East and potentially the UK and Africa.

IMD products have already been supplied to Greece and orders are expected from Denmark prior to the end of this calendar year following the successful introduction of IMD's manual retractable safety syringe and medical waste sharps collectors to this market over the past eight months. There has also been a high level of interest from the UK where there exists an opportunity for IMD to supply medical sharps collectors to companies servicing NHS hospitals.

The Company is in advanced discussions with Arredo Plast Italy regarding an opportunity for that company to incorporate a select range of IMD medical sharps disposal collectors in their product portfolio. These IMD products would be made available to Arredo Plast packaged with their private label and the right to distribute these products to their customers throughout Europe and other markets

Asia

While the Company enjoys success in South and Central Asia, little inroad has been made into our neighbouring East Asian markets. Efforts are underway to establish distribution partners in this region with appointments already advanced in Indonesia and Thailand. During the next 6 months these markets and new opportunities will be investigated in neighbouring countries including the Philippines, Vietnam, Malaysia, Hong Kong and Taiwan.

PRODUCT DEVELOPMENT

Product development continues to be a key and critical activity of the Company.

Medical Waste Sharps Containers

During the year ended 30 June 2006, the new series of roll-top sharps collectors was finalised and additional new models were introduced based on the design of the new roll-top sharps collectors. This has resulted in the inclusion of five new models to the IMD range and a further three models in early stages of design.

Initial feedback from the market has been very encouraging and the product will be launched in Australia and several overseas markets including the USA, Europe and India during the last six months of 2006.

Nomoresharps™ Needle Disposal Unit
Efforts continue to develop a low cost, reliable and mass producible needle cutter. The first version of a plastic model needle cutter is planned for release in November 2006. This model will incorporate an injection moulded plastic base with the existing hardened steel cutting blade supplied with the current model stainless steel unit.

Auto Retractable Safety Syringes

Development is well advanced on the first truly low cost auto retractable safety syringe to be developed in Australia. Commercial grade devices are scheduled to be available for market evaluation in March 2007 with the first product to be shipped to the USA for clinical evaluation shortly thereafter.

REGULATORY APPROVALS

In September 2005, IMD was successful in retaining ISO 13485:2003, CE Mark and Canada Health CDMAS certifications for an expanding range of medical disposable products including standard disposable syringes and needles, safety syringes and scalp vein sets following an audit by the Notified Body TUV Products services Shanghai.

In February 2006, IMD received Therapeutic Goods of Australia (TGA) certification granting inclusion of the BMDI manual retractable safety syringe range as Medical Device status on the Australian Register of Therapeutic Goods.

INTELLECTUAL PROPERTY PROTECTION

IMD has continued to rationalise expenditure on intellectual property to reflect the nature and focus of the business. Considerable work has been undertaken on the development and enhancement of the Company's portfolio of medical sharps collectors which has resulted in the need to file design registration in international jurisdictions of importance to IMD. Intellectual property protection has been extended on the IMD auto retractable safety syringe to include the USA, Canada, China, Europe and Japan.

Statement of Corporate Governance for the year ended 30 June 2006

This statement outlines the main Corporate Governance practices that were in place throughout the financial year, unless otherwise stated.

Board of Directors

The board is responsible for the overall Corporate Governance of the consolidated entity including its strategic direction, establishing goals for management and monitoring the achievement of these goals. Because of the small number of directors, a Nomination Committee, a Remuneration Committee and an Audit Committee have not been established.

The composition of the board has been determined on the basis of providing the consolidated entity with the benefit of a broad range of technical, administrative and financial skills, combined with an appropriate level of experience at a senior corporate level.

The Chairman reviews the composition of the board annually to ensure that it provides the consolidated entity with the appropriate levels of both expertise and experience.

When a vacancy exists, through whatever cause, or where it is considered that the board would benefit from the services of a new director with particular skills, the board identifies a panel of candidates with appropriate expertise and experience. A selection procedure is then completed and the board appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

Directors are subject to re-election by the shareholders at least every three years.

Each director has the right to seek independent professional advice at the consolidated entity's expense. Prior approval of the Chairman is required, but such approval is not unreasonably withheld.

The remuneration of the directors is determined by the board as a whole, with the director to whom a particular decision relates being absent from the meeting during the time that the remuneration level is discussed and decided upon.

Internal Controls

The board of directors acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. The system of internal control adopted by the consolidated entity seeks to provide an appropriate division of responsibility and careful selection and training of personnel relative to the level of activities and size of the consolidated entity.

The full board takes responsibility for reviewing financial reporting procedures, internal controls and the performance of the financial management and the external auditors. The full board reviews financial statements and other information distributed externally prior to distribution.

External Auditors

The board reviews the performance of the external auditors and meets with them at the commencement of the half-yearly review and annual audit to discuss any issues that have arisen with respect to accounting policies, any significant operational issues and level of proposed audit fees.

The auditors also meet regularly with the Company Secretary to discuss the scope of the audit work to be performed, and during the course of the audit.

Should a vacancy arise, through whatever reason, the board will invite submissions from a panel of suitable firms to undertake the position of auditor, and having carried out a selection process, nominate the most suitable candidate for election at the next general meeting of shareholders.

KPMG, the Company's auditors, were appointed on 22 October 2004.

Significant Business Risks

Each director reviews the business risks affecting his particular area of expertise annually and reports to the board.

The board then determines the appropriate actions to eliminate or minimise the identified business risks.

Ethical Standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, endeavouring at all times to enhance the performance and reputation of the consolidated entity. Every employee has direct access to a director to whom they may refer any ethical issues that may arise from their employment.

Directors, officers and employees are permitted to trade in the Company's securities only in accordance with the provisions of the Corporations Act and ASX Listing Rules. The directors are under an obligation to report any dealings by them in the Company's securities.

The Role of Shareholders

The board ensures that the shareholders are informed of all major developments affecting the consolidated entity by the following means:

- distribution of the annual report to all shareholders which contains relevant information about the operations of the entity during the year in addition to disclosures required by the Corporations Act 2001;
- lodgement of the half-yearly report with the Australian Stock Exchange, which contains summarised and audit reviewed financial information. Copies of the half-year financial statements prepared in accordance with the Corporations Act 2001, are available to any shareholder on request;
- lodgement of quarterly reports with the Australian Stock Exchange which show summarised financial information and a report on operations for the quarter. Copies of these reports are available to shareholders on request;
- announcements to the Australian Stock Exchange concerning any significant development in the economic entity’s operations, financing and administration. All announcements are immediately available to the general public; and
- disclosure of all major announcements to the Australian Stock Exchange on the Company’s website.

The shareholders are responsible for voting on the appointment of directors.

Your directors have pleasure in submitting their annual report together with the financial report of IMD Group Limited (the Company) and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2006, and the auditor's report thereon.

Directors

The names of directors of the Company holding office at any time during or since the financial year are:

Keith Cadell	Director since 23 July 2004
Peter E. Roberts	Director since 23 July 2004
Thomas J .Mann	Director since 17 February 2006
Stephen E.J. Andersen	Director from 23 July 2004 to 19 December 2005
Robert J. Archer	Director from 27 February 2001 to 17 February 2006

Keith Cadell, Independent Non-Executive Chairman

Keith Cadell has over 19 years of experience in the medical and healthcare industry. Mr Cadell was formerly the Chief Executive Officer of Health Care of Australia (formerly Mayne Nickless hospital division) with a turnover of $900 million and 12,000 staff. Mr Cadell was previously Director, Group Operations of Health Care of Australia prior to taking on the role of CEO and was responsible for the group financial planning, acquisitions, privatisation and co-locations and group purchasing. He was also involved in offshore feasibilities in India, Papua New Guinea, Philippines and Indonesia. More recently, Mr Cadell has been consulting to a number of private hospital groups in Australia and advising them on acquisition strategies as well as ongoing management.

He has been a Director and Chairman since 23 July 2004.

Peter E. Roberts, Independent Non-Executive Director

Peter Roberts has extensive experience in business and accounting for over 30 years. Mr Roberts was with Coopers and Lybrand Australia for over 20 years, where he held many senior positions including Managing Partner Darwin Office, Partner in Charge, Sydney Office Business Services Division and Partner in Charge, Sydney Office Public Sector and Healthcare Consulting Groups. He has worked with many large organisations including Qantas, Australian Consolidated Press, Consolidated Press Holdings, Northern Territory Department of Treasury, Territory Insurance Office and NSW State Rail Authority. Mr Roberts is currently Managing Director, Jennmar Australia, a global leader in manufacturing of ground support products for the mining industry. He has a Bachelor of Economics from the University of Sydney and is a Fellow of Institute of Chartered Accountants in Australia

He has been a Director since 23 July 2004

Thomas J. Mann, Independent Non-Executive Director

Thomas Mann has over 30 years of experience in financial markets and global trade. He began his career in the financial services industry as a stockbroker working in both Sydney and London. He then began a global trading corporation with operations in the USA, Malaysia, Thailand, Indonesia and Australia.

More recently Mr Mann has been involved in capital raising initiatives and strategic development programs for small to mid-sized public and private companies.

He has been a Director since 17 February 2006.

Dr Stephen E.J. Andersen, Non-Executive Director

Dr Steve Andersen is a consultant specialist medical pathologist and former managing director of both Andersen Pathology and Southern Pathology. He is also a director of private companies with interests in the rural, property and finance sectors. He founded Andersen Pathology which became Southern Pathology and was then acquired by the Sonic Healthcare Group. Southern Pathology has won the Illawarra Customer Service Award, the Illawarra Business of the Year Award and an Australian Quality Award for Business Excellence.

He was a Director from 23 July 2004 to 19 December 2005.

Robert J. Archer, Non-Executive Director

Robert Archer is the founder of the Company. He has 19 years of manufacturing and market research experience in the presentation of new technologies both within the domestic and international arenas. He has worked extensively in China, the USA and Australia and has developed an extensive manufacturing base from his years of developing products throughout the world and this is seen now in the current IMD Group facilities.

Mr Archer has been driven by his personal passion towards third world aid projects and general medical technologies. After identifying and carrying out general research he identified key products that would assist aid workers in the implementation of creating a safer work environment for healthcare professionals. This focus was the basis for starting the Company. His goal is to engineer simple technologies that will enhance and save lives in the healthcare industry. Robert holds a foreign residency permit in China.

Mr. Archer was a director from 27 February 2001 to 17 February 2006 when he resigned due to ongoing medical problems.

Peter J. Nightingale, Company Secretary

Peter Nightingale was appointed to the position of Company Secretary on 3 May 2004.

Peter Nightingale graduated with a Bachelor of Economics degree from the University of Sydney and is a member of the Institute of Chartered Accountants in Australia. He has worked as a chartered accountant in both Australia and the USA.

As a director or company secretary Mr Nightingale has, for the past 19 years, been responsible for the financial control, administration, secretarial and in-house legal functions of a number of private and public listed companies in Australia, the USA and Europe including Pangea Resources Limited, Timberline Minerals Inc., Perseverance Corporation Limited, Valdora Minerals N.L. and ETT Limited. He is currently a director or company secretary of Biotron Limited, Bolnisi Gold NL, Cockatoo Coal Limited, Planet Gas Limited and Palmarejo Silver and Gold Corporation.

Directors' Interests

Directors' beneficial shareholdings at the date of this report are:

Specified directors	Held at 1 July 2005	Purchases	Sales	Held at 30 June 2006
Keith Cadell	500,000	142,800	-	642,800
Peter E. Roberts	500,000	71,400	-	571,400
Thomas J. Mann	1,500,000	-	-	1,500,000
Stephen E.J. Andersen	5,989,443	-	-	*5,989,443
Robert J. Archer	25,833,977	-	-	*25,833,977

* Director's holding at the date of resignation.

Directors' Meetings

The number of directors' meetings held, including meetings held by telephone and by circulation of resolutions, and the number of those meetings attended by each of the directors of the Company, while a director, during the financial year are as follows:

	No. of Meetings Held Whilst Director	No. of Meetings Attended
Keith Cadell	10	10
Peter E. Roberts	10	8
Thomas J. Mann	4	4
Stephen E.J. Andersen	5	4
Robert J. Archer	6	4

Principal Activities

The principal activities of the consolidated entity in the course of the financial year are the development, manufacture and distribution of, a range of medical devices.

Financial Results

The consolidated loss after income tax attributable to members of the Company for the year was $2,266,839 (2005 - $2,393,196).

Dividends

No dividends have been paid or declared during the financial year.

State of Affairs

In the opinion of the directors, significant changes in the state of affairs of the consolidated entity that occurred during the year ended 30 June 2006 were as follows:

- Signing of a Heads of Agreement with Inviro Medical in the United States engaging IMD as a preferred supplier of Inviro patented safety medical devices and other medical devices.
- Signing of an Memorandum of Understanding with Terumo Corporation, Australia Branch that has since resulted in the execution of a 2 year Supply Agreement for IMD to be an exclusive supplier to Terumo for an extensive range of sharps collectors.
- Successful completion of the PATH order in India for the supply of 14,000 needle cutters, with that organization placing orders for an additional 2,000 units since January 2006.

Review of Operations

The review of operations of the consolidated entity during the year is detailed on pages 2 to 8 of this Annual Report.

Non-audit Services

During the year ended 30 June 2006 KPMG, the Company's auditor has not performed other services in addition to their statutory audit duties.

	2006	2005
	$	$
Statutory audit		
Auditors of the Company		
- audit and review of financial reports	24,321	17,100
Services other than statutory audit		
- prospectus related services	-	7,000

Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Likely Developments

Further information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent years has not been included in this report because disclosure of this information would be likely to result in unreasonable prejudice to the consolidated entity.

Remuneration Report

The policy of remuneration of directors and senior executives is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board is responsible for reviewing its own performance. The non-executive directors are responsible for evaluating the performance of the executive directors who, in turn, evaluate the performance of all other senior executives. The evaluation process is intended to assess the Company's business performance, whether long term strategic objectives are being achieved and the achievement of individual performance objectives

Remuneration comprises salary and superannuation. The remuneration disclosed below represent the cost to the Company for the services provided under these arrangements.

No directors or executives receive performance related remuneration and there are no service contracts.

Details of the nature and amount of each major element of the emoluments of each director of the Company and each of the named executive officers of the Company and consolidated entity are:

		Base emolument	Superannuation	Termination payment	Total
Directors		$	$	$	$
Keith Cadell (Chairman)	2006	40,000	3,600	-	43,600
	2005	47,066	4,236	-	51,302
Peter E. Roberts	2006	25,000	2,250	-	27,250
	2005	28,158	2,534	-	30,692
Thomas J. Mann	2006	9,103	819	-	9,922
	2005	-	-	-	-
Stephen E.J. Andersen	2006	12,500	1,125	-	13,625
	2005	28,240	2,542	-	30,782
Robert J. Archer	2006	16,667	1,500	-	18,167
	2005	188,572	11,658	200,000	400,230
Executive officers:					
Robert Krakowiak (Chief Executive Officer)	2006	185,833	27,820	-	213,653
	2005	166,269	13,604	-	179,873
Peter J. Nightingale (Company Secretary)	2006	60,000	-	-	60,000
	2005	30,000	-	-	30,000
Total, all key management personnel	2006	349,103	37,114	-	386,217
	2005	488,305	34,574	200,000	722,879

No options or bonuses were granted to directors or executive officers as part of their remuneration.

IMD GROUP LIMITED
AND ITS CONTROLLED ENTITIES

Income Statements
for the year ended 30 June 2006

	Notes	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Revenue from sale of goods	2	547,817	239,594	-	-
Cost of goods sold		(571,295)	(182,669)	-	-
Gross profit/(loss)		(23,478)	56,925	-	-
Government grants		44,935	-	44,935	-
Expenses:					
- administration and consultants expenses	2	(739,414)	(1,061,834)	(320,363)	(323,347)
- depreciation		(46,638)	(21,480)	-	-
- research and development	2	(184,958)	(83,671)	-	-
- impairment loss – investments in controlled entities and property, plant and equipment	2	(513,753)	-	(1,847,228)	(1,465,290)
- employee expenses	2	(559,545)	(801,956)	(330,865)	(688,324)
- travel and accommodation	2	(156,888)	(254,837)	(5,124)	(49,047)
- occupancy costs		(65,577)	(71,746)	-	-
- other		(63,536)	(240,108)	(29,676)	(35,354)
Results from operating activities		(2,308,852)	(2,478,707)	(2,488,321)	(2,561,362)
Financial income	2	42,013	85,511	30,898	84,523
Net financing income		42,013	85,511	30,898	84,523
Loss before related income tax expense		(2,266,839)	(2,393,196)	(2,457,423)	(2,476,839)
Income tax expense	3	-	-	-	-
Loss for the period		(2,266,839)	(2,393,196)	(2,457,423)	(2,476,839)
Basic loss per share attributable to ordinary shareholders	4	2.97 cents	4.58 cents		
Diluted loss per share attributable to ordinary shareholders	4	2.97 cents	4.58 cents		

IMD GROUP LIMITED
AND ITS CONTROLLED ENTITIES

Statements of Recognised Income and Expense for the year ended 30 June 2006

	Consolidated		Company	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Net income recognised directly in equity	-	-	-	-
Loss for the period	(2,266,839)	(2,393,196)	(2,457,423)	(2,476,839)
Total recognised income and expense for the period	(2,266,839)	(2,393,196)	(2,457,423)	(2,476,839)

Other movements in equity arising from transactions with owners as owners are set out in note 13.

IMD GROUP LIMITED
AND ITS CONTROLLED ENTITIES

Balance Sheets
as at 30 June 2006

		Consolidated		Company	
		2006	2005	2006	2005
	Notes	$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	5	823,280	2,212,764	469,355	1,953,520
Trade and other receivables	6	106,909	161,938	609	12,883
Inventories	7	92,250	209,074	-	-
Other	8	14,676	1,515	1,300	911
TOTAL CURRENT ASSETS		1,037,115	2,585,291	471,264	1,967,314
NON-CURRENT ASSETS					
Plant and equipment	9	146,244	534,199	-	-
Investments	10	-	-	401,398	774,592
Other	8	6,667	56,667	-	50,000
TOTAL NON-CURRENT ASSETS		152,911	590,866	401,398	824,592
TOTAL ASSETS		1,190,026	3,176,157	872,662	2,791,906
CURRENT LIABILITIES					
Trade and other payables	11	67,834	416,345	31,583	122,634
Employee benefits	12	32,473	19,664	25,570	12,750
TOTAL CURRENT LIABILITIES		100,307	436,009	57,153	135,384
TOTAL LIABILITIES		100,307	436,009	57,153	135,384
NET ASSETS		1,089,719	2,740,148	815,509	2,656,522
EQUITY					
Issued capital	13	7,509,508	6,893,098	7,509,508	6,893,098
Retained losses	14	(6,419,789)	(4,152,950)	(6,693,999)	(4,236,576)
TOTAL EQUITY		1,089,719	2,740,148	815,509	2,656,522

IMD GROUP LIMITED
AND ITS CONTROLLED ENTITIES

Statements of Cash Flows for the year ended 30 June 2006

	Notes	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		584,302	152,775	-	-
Cash receipts from government grants		44,935	-	44,935	-
Cash paid to suppliers and employees		(2,547,699)	(3,009,476)	(751,726)	(1,352,489)
Cash generated from operations		(1,918,461)	(2,856,701)	(706,791)	(1,352,489)
Interest received		42,013	85,511	30,898	84,523
Net cash used in operating activities	16	(1,876,449)	(2,771,190)	(675,893)	(1,267,966)
CASH FLOWS FROM INVESTING ACTIVITIES					
Loans to controlled entities		-	-	(1,424,035)	(1,987,108)
Loans to other entities		-	(50,000)	-	(50,000)
Payments for plant and equipment		(122,593)	(362,684)	-	-
Payments for security deposits		-	(6,667)	-	-
Net cash used in investing activities		(122,593)	(419,351)	(1,424,035)	(2,037,108)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		660,480	5,664,403	660,480	5,664,403
Cost of equity raising		(44,070)	(415,921)	(44,070)	(415,921)
Proceeds from borrowings		-	-	-	-
Repayment of borrowings		-	-	-	-
Net cash provided by financing activities		616,410	5,248,482	616,410	5,248,482
Net increase/(decrease) in cash held		(1,382,632)	2,057,941	(1,483,518)	1,943,408
Cash and cash equivalents at 1 July		2,212,764	169,771	1,953,520	10,112
Effect of exchange rate adjustments on cash held		(6,852)	(14,948)	(647)	-
Cash and cash equivalents at the end of the financial year		823,280	2,212,764	469,355	1,953,520

1. Significant Accounting Policies

IMD Group Limited (the 'Company') is a company domiciled in Australia. The consolidated financial report of the Company for the year ended 30 June 2006 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity').

Going concern
The financial report has been prepared on a going concern basis which contemplates the realisation of assets and liabilities in the ordinary course of business.

The Company and the consolidated entity have incurred significant trading losses in the year ended 30th June 2006 and in prior periods. The ongoing operation of the Company and the consolidated entity is dependent upon:

- The Company and consolidated entity achieving cash flow positive trading operations; and/or
- The Company raising additional funding from shareholders and/or external parties.

The directors have prepared cash flow projections that support the ability of the Company and the consolidated entity to continue as a going concern. These cashflow projections assume significant increases in revenues compared to historical levels achieved.

In the event that the Company and the consolidated entity do not obtain additional funding and/or achieve cash flow positive trading operations, they will be unable to continue their operations as a going concern and therefore the Company and the consolidated entity may not be able to realise their assets and extinguish their liabilities in the ordinary course of operations and at the amounts stated in the financial statements.

Statement of Compliance
The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (‘AIFRSs’) issued by the Australian Accounting Standards Board and the Corporations Act 2001.

This is the consolidated entity’s first financial report prepared in accordance with Australian Accounting Standards, being AIFRS and AASB 1 First-Time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity and the Company is provided in note 22.

Basis of Preparation
The financial report is presented in Australian dollars and is prepared on the historical cost basis. The entity has elected to early adopt the following standards and amendments:

- AASB 119 *Employee Benefits* (December 2004).
- AASB 2004-3 Amendments to Australian Accounting Standards (December 2004) amending AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), AASB 101 Presentation of Financial Statements and AASB 124 Related Party Disclosures.
- AASB 2005-1 Amendments to Australian Accounting Standards (May 2005) amending AASB 139 Financial Instruments: Recognition and Measurement.

- AASB 2005-3 Amendments to Australian Accounting Standards (June 2005) amending AASB 119 Employee Benefits (either July or December 2004).
- AASB 2005-4 Amendments to Australian Accounting Standards (June 2005) amending AASB 139 Financial Instruments: Recognition and Measurement, AASB 132 Financial Instruments: Disclosure and Presentation, AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts.
- AASB 2005-5 Amendments to Australian Accounting Standards (June 2005) amending AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), and AASB 139 Financial Instruments: Recognition and Measurement.
- AASB 2005-6 Amendments to Australian Accounting Standards (June 2005) amending AASB 3 Business Combinations.
- AASB 2006-1 Amendments to Australian Accounting Standards (January 2006) amending AASB 121 The Effects of Changes in Foreign Exchange Rates (July 2004).
- UIG 4 Determining whether an Arrangement contains a Lease.
- UIG 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.
- UIG 8 Scope of AASB 2.

The following standards and amendments were available for early adoption but have not been applied by the consolidated entity in these financial statements:

- AASB 7 Financial instruments: Disclosure (August 2005) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007.
- AASB 2005-9 Amendments to Australian Accounting Standards (September 2005) requires that liabilities arising from the issue of financial guarantee contracts are recognised in the balance sheet. AASB 2005-9 is applicable for annual reporting periods beginning on or after 1 January 2006.
- AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 Financial Instruments: Disclosures and Presentation, AASB 101 Presentation of Financial Statements, AASB 114 Segment Reporting, AASB 117 Leases, AASB 133 Earnings per Share, AASB 139 Financial Instruments: Recognition and Measurement, AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.

The consolidated entity plans to adopt AASB 7, AASB 2005-9 and AASB 2005-10 in the 2007 financial year.

The initial application of AASB 7 and AASB 2005-10 is not expected to have an impact on the financial results of the Company and the consolidated entity as the standard and the amendment are concerned only with disclosures.

The initial application of AASB 2005-9 could have an impact on the financial results of the Company and the consolidated entity as the amendment could result in liabilities being recognised for financial guarantee contracts, if any, that have been provided by the Company and the consolidated entity. However, the quantification of the impact is not known or reasonably estimable in the current financial year as an exercise to quantify the financial impact has not been undertaken by the Company and the consolidated entity to date.

The preparation of a financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies have been applied consistently by all periods presented in the consolidated financial report and in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition Australian Accounting Standards – AIFRS.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the consolidated entity's interest in the entity with adjustments made to the 'Investment in associates' and 'Share of associates net profit' accounts.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised as the contributed assets are consumed or sold by the associates and jointly controlled entities or, if not consumed or sold by the associate or jointly controlled entity, when the consolidated entity's interest in such entities is disposed of.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle.

Intercompany loans

Loans made to controlled entities which are interest free, unsecured, of no fixed term, and repayable only out of potential future profits are classified as investments.

Plant and equipment
Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Office equipment is depreciated at rates between 10% and 60% per annum.

Research and development
Grants
Where a grant is received relating to research and development costs that have been expensed, the grant is recognised as revenue on a cash receipts basis.

Costs
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the consolidated entity has sufficient resources to complete development.

Impairment
The carrying amounts of the consolidated entity's assets, and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Calculation of recoverable amount
The recoverable amount of the consolidated entity's investments, if any, in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

Trade and other payables

Trade and other payables are stated at their amortised cost, are non-interest bearing and are normally settled within 60 days.

Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Taxation

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.
Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future are temporary differences are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Segment reporting

Segment information is presented in respect of the consolidated entity's geographical segments. The format, business is based on the consolidated entity's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Revenue recognition

Interest revenue

Interest revenue is recognised in the income statement as it accrues using the effective interest method.

Sale of goods

Revenue from the sale of goods is recognised when the consolidated entity has passed control of the goods to the buyer.

Employee benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
NOTE 2 – LOSS FROM OPERATING ACTIVITIES				
Loss from ordinary activities includes the following items of revenue and expense:				
Revenue				
Sales of goods	547,817	239,594	-	-
Interest revenue	42,013	85,511	30,898	84,523
Government grants	44,935	-	44,935	-
	634,765	325,105	75,833	84,523
Expenses				
Administration and consultants expenses:				
- general and administrative	391,466	375,902	97,513	100,533
- consultancy fees	347,948	685,932	222,850	222,814
	739,414	1,061,834	320,363	323,347
Research and development	184,958	83,671	-	-
Impairment loss on intercompany loans	-	-	1,797,228	1,465,290
Impairment loss on loans to other entities	50,000	-	50,000	-
Impairment loss on property, plant and equipment	397,655	-	-	-
Salaries and wages	559,545	801,956	330,865	688,324
Auditors' remuneration (KPMG)				
- Audit of financial reports	24,321	17,100	24,321	17,100
- Other audit services	-	7,000	-	7,000
Foreign exchange loss on cash	6,852	14,948	647	-
Travel and accommodation	156,888	254,837	5,124	49,047

At 30 June 2006, the consolidated entity had 3 employees (2005 - 6).

3. INCOME TAX EXPENSE

Numerical reconciliation between tax expense and pre-tax net profit

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Loss before tax – continuing operations	(2,266,839)	(2,393,196)	(2,457,423)	(2,476,839)
Income tax using the domestic corporation tax rate of 30%	(680,052)	(717,959)	(737,227)	(743,052)
Increase in income tax expense due to:				
- Non-deductible expenses	6,529	6,233	539,910	440,795
- Effect of tax losses not brought to account	673,523	711,726	197,317	302,257
Income tax expense on pre-tax net loss	-	-	-	-

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Deductible permanent differences	137,997	124,776	137,997	124,776
Tax losses	1,951,618	1,278,095	671,860	474,542
Net	2,089,615	1,402,871	809,857	599,318

The deductible permanent differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits therefrom.

Tax Consolidation System

Legislation to allow groups, comprising a parent entity and its Australian resident wholly owned entities to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. The company and its wholly owned Australian resident entities are eligible to consolidate for tax purposes under this legislation and the directors of these entities consider it likely that they will elect to implement the tax consolidation system in due course. The directors have not made a final formal decision whether or not to implement the tax consolidation system and if so, from which date implementation would occur.

Accordingly, the financial effect of the implementation of the tax consolidation system has not been recognised in this financial report. However, as each of the entities eligible to participate in the tax consolidation system are in a cumulative tax loss position and these tax losses have not been brought to account as deferred tax assets, the impact of the tax consolidation system on the current financial report would not be material.

NOTE 4 - LOSS PER SHARE

The calculation of basic loss per share at 30 June 2006 was based on the loss attributable to ordinary shareholders of $2,266,839 (2005: Loss of $2,393,196) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2006 of 76,321,196 (2005: 52,267,877), calculated as follows:

	Consolidated	
	2006	2005
	$	$
Net loss for the year	2,266,839	2,393,196
	Number	Number
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	74,900,264	997,260
Effect of shares issued in 18 Sept 2004	-	2,709,834
Effect of shares issued in 18 Sept 2004	-	26,571,194
Effect of shares issued in 20 Sept 2004	-	8,838,904
Effect of shares issued in 20 Dec 2004	-	13,150,685
Effect of shares issued in 11 May 2005	1,397,260	-
Effect of shares issued in 21 Jun 2006	23,672	-
Issued ordinary shares at 30 June	76,321,196	52,267,877

As at 30 June 2006 there are no ‘potential’ ordinary shares on issue, therefore diluted earnings per share is the same as basic earnings per share.

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
NOTE 5 – CASH AND CASH EQUIVALENTS				
Cash at bank and on hand	811,528	2,037,147	457,603	1,777,903
Term deposit	11,752	175,617	11,752	175,617
	823,280	2,212,764	469,355	1,953,520
NOTE 6 - RECEIVABLES				
Current				
Other debtors	101,300	123,622	-	-
GST receivable	5,609	30,486	609	12,883
Other	-	7,830	-	-
	106,909	161,938	609	12,883
NOTE 7 - INVENTORIES				
Finished goods	92,250	209,074	-	-

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
NOTE 8 - OTHER ASSETS				
Current				
Other debtors	3,344	1,515	1,300	911
Prepayments	11,332	-	-	-
	14,676	1,515	1,300	911
Non-current				
Security deposits	6,667	6,667	-	-
Loan to other entities	-	50,000	-	50,000
	6,667	56,667	-	50,000
NOTE 9 – PROPERTY, PLANT AND EQUIPMENT				
Plant and equipment - cost	101,823	387,051	-	-
Accumulated depreciation	(16,103)	(303)	-	-
	85,720	386,748	-	-
Furniture and fixtures - cost	37,166	105,183	-	-
Accumulated depreciation	(14,151)	(9,810)	-	-
	23,015	95,373	-	-
Office equipment - cost	59,885	56,404	-	-
Accumulated depreciation	(23,176)	(11,248)	-	-
	36,709	45,156	-	-
Warehouse equipment - cost	2,518	18,953	-	-
Accumulated depreciation	(1,718)	(12,031)	-	-
	800	6,922	-	-
Total plant and equipment	146,244	534,199	-	-
Plant and equipment				
Carrying amount at beginning of year	386,748	137,925	-	-
Additions	85,852	249,126	-	-
Impairment loss	(371,018)	-	-	-
Depreciation	(15,862)	(303)	-	-
Carrying amount at end of year	85,720	386,748	-	-

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
NOTE 9 – PROPERTY, PLANT AND EQUIPMENT (Con't)				
Furniture and fittings				
Carrying amount at beginning of year	95,373	36,112	-	-
Additions	31,758	67,970	-	-
Impairment loss	(87,938)	-	-	-
Depreciation	(16,178)	(8,709)	-	-
Carrying amount at year end	23,015	95,373	-	-
Office equipment				
Carrying amount at beginning of year	45,156	8,650	-	-
Additions	4,826	45,588	-	-
Depreciation	(13,273)	(9,082)	-	-
Carrying amount at year end	36,709	45,156	-	-
Warehouse equipment				
Carrying amount at beginning of year	6,922	10,308	-	-
Impairment loss	(4,797)	-	-	-
Depreciation	(1,325)	(3,386)	-	-
Carrying amount at year end	800	6,922	-	-

Impairment loss

During the year ended 2006 the consolidated entity concluded it would not pursue the producing and marketing of a range of JPt Syringe products. This included the JPt Non-Reusable Syringe, the JPt Retractable Syringe, the Multi-Med –uses Retractable Non-Reusable Syringe and the Vacuum Auto Retractable Safety Syringe. Based on this the consolidated entity assessed the carrying amount of the specialised machines dedicated to these products. Based on this assessment the carrying amount of those machines was written down to zero, a write-down amount of $371,018.

During the year ended 2006 the consolidated entity relocated its principal office from Wollongong to Sydney. As a result of this the consolidated entity assessed the carrying value of furniture and fittings and warehouse equipment associated with the Wollongong office and based on this the carrying value of furniture and fittings was written down by $87,938 and warehouse equipment was written down by $4,797.

	Consolidated		Company	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
NOTE 10 – INVESTMENTS				
Non-current				
Investments in controlled entities – at cost	-	-	4,882,406	3,454,214
Less cumulative impairment losses	-	-	(4,481,008)	(2,679,622)
Investment in controlled entities, at recoverable amount	-	-	401,398	774,592

Due to the inherent uncertainty over the ultimate recovery of these investments, the Company has tested all investments in controlled entities and recorded impairment losses to the extent that these investments exceeded the estimated recoverable amount, which was based on the expected cashflows to be generated from these investments.

NOTE 11 - PAYABLES				
Current				
Trade creditors	49,090	300,924	19,083	18,174
Payroll and GST liabilities	6,244	98,873	-	93,576
Accruals	12,500	10,884	12,500	10,884
Customer deposits	-	5,664	-	-
	67,834	416,345	31,583	122,634

NOTE 12 – EMPLOYEE ENTITLEMENTS				
Current				
Provision for employee annual leave entitlements	32,473	19,664	25,570	12,750

NOTE 13 – ISSUED CAPITAL				
Issued and paid up capital				
85,764,264 (2005 – 74,900,264) ordinary shares, fully paid	7,508,508	6,892,098	7,508,508	6,892,098
10,000,000 terminating preference shares, fully paid	1,000	1,000	1,000	1,000
	7,509,508	6,893,098	7,509,508	6,893,098

	2006		2005	
	No.	**$**	**No.**	**$**
Fully paid ordinary shares				
Balance at the beginning of the financial year	74,900,264	6,893,098	1,000,000	644,888
Issue of shares	10,864,000	660,480	73,900,264	6,664,131
Less costs of issue	-	(44,070)	-	(415,921)
	85,764,264	7,509,508	74,900,264	6,893,098

During the year:

- The Company issued 10,000,000 ordinary shares for cash totalling $600,000. There were no amounts unpaid on shares issued. Transaction costs of $44,070 were recognised as a reduction of the proceeds of issue of these shares.

- The Company issued 864,000 ordinary shares for cash totalling $60,480.

There were no amounts unpaid on shares issued.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the shareholders meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

Holders of terminating preference shares are not entitled to receive dividends and are not entitled to vote. Each terminating preference share shall:

- Convert to one fully paid ordinary share if IMD Group Limited and its controlled entities report a net profit attributable to members of the Company before income tax and adjusted for interest of greater than $0 for any six month reporting period to 31 December or 30 June ('Reporting Date') commencing in the first 3 years after the Company is listed on the ASX ('Performance Hurdle'); or

- On the last Reporting Date at which the Performance Hurdle can be met, convert to one one hundred thousandth (1/100,000th) of a fully paid ordinary share, rounded up to the nearest whole number, if the Performance Hurdle is not met.

	Consolidated		**Company**	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
NOTE 14 - RETAINED LOSSES				
Accumulated losses at the beginning of the year	(4,152,950)	(1,759,754)	(4,236,576)	(1,759,737)
Net loss attributable to members of the parent entity	(2,266,839)	(2,393,196)	(2,457,423)	(2,476,839)
Accumulated losses at the end of the year	(6,419,789)	(4,152,950)	(6,693,999)	(4,236,576)

NOTE 15 - PARTICULARS IN RELATION TO CONTROLLED ENTITIES

Parent Entity

IMD Group Limited is an Australian incorporated company listed on the Australian Stock Exchange.

Controlled Entities	Country of Incorporation	Ownership Interest 2006	2005
		%	%
BMDI Pty Ltd	Australia	100	100
Bio Medical Developments International Pty Ltd	Australia	70	70
IMD Consulting Pty Ltd	Australia	100	100
International Water Systems Pty Ltd	Australia	100	100

Outside equity interests

Outside equity interest have a value of nil, as the controlled entity has incurred operating losses in excess of its capital and the parent entity has brought to account 100% of the losses beyond the capital of the controlled entity.

NOTE 16 - STATEMENTS OF CASH FLOWS

Reconciliation of cash

For the purposes of the Statements of Cash Flows, cash includes cash on hand and at bank and cash on deposit, net of bank overdrafts and excluding security deposits. Cash as at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the Statements of Financial Position as follows:

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Reconciliation of net loss from operating activities to net cash used in operating activities				
Loss from operating activities after tax	(2,266,839)	(2,393,196)	(2,457,423)	(2,476,839)
Items classified as investing/financing activities				
Non-cash items				
Depreciation of property, plant and equipment	46,638	21,480	-	-
Impairment loss on intercompany loans	-	-	1,797,228	1,465,290
Impairment loss on loans to other entities	50,000	-	50,000	-
Foreign exchange loss	6,852	14,948	647	-
Employee entitlements	12,810	19,664	12,820	12,750
Asset write off	463,753	-	-	-
Changes in assets and liabilities				
Receivables	55,030	(91,872)	12,275	(4,058)
Inventories	116,824	(201,164)	-	-
Other assets	(13,161)	(1,515)	(389)	(911)
Payables	(348,512)	(139,535)	(91,051)	(264,198)
Net cash used in operating activities	(1,876,449)	(2,771,190)	(675,893)	(1,267,966)

NOTE 17 - FINANCIAL INSTRUMENTS DISCLOSURE

Interest rate risk

With the exception of cash, all the consolidated entities financial assets and liabilities are non-interest bearing. The cash balance earns interest at an average variable interest rate of 4.25%.

Foreign exchange risk

The consolidated entity does not enter into foreign exchange contracts to hedge purchases and sales denominated in foreign currencies.

Credit risk exposure

The credit risk exposure on financial assets of the consolidated entity which have been recognised on the statement of financial position is the carrying amount, net of any provision for doubtful debts. The Company minimises credit risk by dealing with Australian regulated banks.

Net fair values of financial assets and liabilities

The carrying amounts of financial assets and liabilities approximate their net fair values, given the short time frame to maturity and or variable interest rates.

NOTE 18 – COMMITMENTS AND CONTINGIENCIES

In August 2005 the consolidated entity entered into a rental contract for the lease of its principal office at Gateway Business Park, Silverwater, NSW. The term of the lease is for three years and expires in August 2008. A bank guarantee equal to four months gross rental to be held as a security deposit for the length of the lease

NOTE 19 – KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel

The following were key management personnel of the Company at any time during the reporting period

Directors

Keith Cadell (Chairman)
Thomas J. Mann
Peter E. Roberts
Stephen E.J. Andersen (resigned December 2005)
Robert J. Archer (resigned February 2006)

Executives

Robert Krakowiak (Chief Executive Officer)
Peter Nightingale (Company Secretary)

Remuneration is equivalent to compensation as defined by AASB 124 Related Party Disclosures. The broad remuneration policy is to ensure the remuneration package properly reflects the persons' duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

There are no performance based or variable remuneration arrangements although remuneration levels will be reviewed on annual basis through a process that considers individual, segment and overall performance of the consolidated entity.

No options were granted to directors or executives as part of their remuneration, and there are no service contracts.

The following tables provide the details of all key management personnel of the consolidated reporting entity for the entire reporting period.

Directors	**Year**	**Primary salary and fees $**	**Post-employment Superannuation benefits $**	**Termination payment $**	**Total $**
Executive					
Keith Cadell (Chairman)	2006	40,000	3,600	-	43,600
	2005	47,066	4,236	-	51,302
Peter E. Roberts	2006	25,000	2,250	-	27,250
	2005	28,158	2,534	-	30,692
Thomas J. Mann	2006	9,103	819	-	9,922
	2005	-	-	-	-
Stephen E.J. Andersen	2006	12,500	1,125	-	13,625
	2005	28,240	2,542	-	30,782
Robert J. Archer	2006	16,667	1,500	-	18,167
	2005	188,572	11,658	200,000	400,230
Total, all specified directors	2006	103,270	9,294	-	112,564
	2005	292,036	20,970	200,000	513,006

Executives	**Year**	**Primary salary and fees $**	**Post-employment Superannuation benefits $**	**Termination payment $**	**Total $**
Executive					
Robert Krakowiak (Chief Executive Officer)	2006	185,833	27,820	-	213,653
	2005	166,269	13,604	-	179,873
Peter J. Nightingale (Company Secretary)	2006	60,000	-	-	60,000
	2005	30,000	-	-	30,000
Total, all specified executives	2006	245,833	27,820	-	273,653
	2005	196,269	13,604	-	209,873
Total, all key management personnel	2006	349,103	37,114	-	386,217
	2005	488,305	34,574	200,000	722,879

NOTE 19 - KEY MANAGEMENT PERSONNEL DISCLOSURES (Con't)

Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares and terminating preference shares ("performance shares") in the Company held directly, indirectly or beneficially, by each specified director or specified executive, including their personally-related entities, is as follows:

Directors	**Held at 1 July 2005**	**Purchases**	**Sales**	**Held at 30 June 2006**
Keith Cadell	500,000	142,800	-	642,800
Peter E. Roberts	500,000	71,400	-	571,400
Thomas J. Mann	1,500,000	-	-	1,500,000
Stephen E.J. Andersen	5,989,443	-	-	* 5,989,443
Robert J. Archer	25,833,977	-	-	* 25,833,977

* Director's holding at the date of resignation.

Executives	**Held at 1 July 2005**	**Purchases**	**Sales**	**Held at 30 June 2006**
Robert Krakowiak	250,000	-	-	250,000
Peter J.Nightingale	2,500,000	-	-	2,500,000

Specified directors	**Held at 1 July 2004**	**Purchases**	**Sales**	**Held at 30 June 2005**
Keith Cadell	-	500,000	-	500,000
Peter E. Roberts	-	500,000	-	500,000
Stephen E.J. Andersen	53,684	5,935,759	-	5,989,443
Robert J. Archer	508,650	25,325,327	-	25,833,977

Executives	**Held at 1 July 2004**	**Purchases**	**Sales**	**Held at 30 June 2005**
Robert Krakowiak	-	250,000	-	250,000
Peter J.Nightingale	-	2,500,000	-	2,500,000

During the year ended 30 June 2005 a Robert Archer related entity acquired 5,850,000 performance shares and a Stephen Andersen related entity acquired 1,000,000 performance shares. These holdings are reflected in the balances above. There entities subscribed for these shares in their capacity as a shareholder as opposed to a position as director or executive.

During the year ended 30 June 2006, Peter J. Nightingale had an interest in an entity, Mining Services Trust, which provided full administrative services, including rental accommodation, administrative staff, services and supplies, to the consolidated entity. Fees paid to Mining Services Trust during the year, which were in the ordinary course of business and on normal terms and conditions, amounted to $135,765 (2005 - $95,945).

Apart from the details disclosed in this note, no director or specified executive has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' or specified executives interests subsisting at year end.

NOTE 20- CONTROLLED ENTITIES

At balance date, the Company had amounts receivable from, BMDI Pty Limited of $3,160,430 (2005 - $1,845,602), Bio Medical Developments International Pty Limited of $1,694,387 (2005 - $1,596,282), International Water Systems Pty Limited of $27,589 (2005 - $17,107) and an amount payable to IMD Consulting Pty Limited of $4,177 (2005 - $4,797). These amounts are all interest free, unsecured, have no fixed term of repayment and are repayable out of future profits. These amounts receivable are classified as investments in this financial report and note 10.

NOTE 21 - FINANCIAL REPORTING BY SEGMENTS

The consolidated entity operates wholly within the health care industry in Australia, China and India.

Geographical segments	Australia	China $	India $	Consolidated $
30 June 2006				
Revenue				
External segment income	306,916	-	240,901	547,817
Unallocated income				86,948
Total revenue				634,765
Result				
Segment result	(105,213)	(4,805)	(95,420)	(205,438)
Unallocated corporate expenses				2,061,401
Net loss				2,266,839
Assets				
Segment assets	891,697	78,148	220,181	1,190,026
Unallocated corporate assets				-
				1,190,026
Including non-current assets acquired during the year:				
Plant and equipment	35,427	85,852	1,314	122,593
Including non-current assets impaired during the year				
Plant and equipment	-	371,018	-	371,018
Furniture and fittings	87,938	-	-	87,938
Warehouse equipment	4,797	-	-	4,797
	92,735	371,018	-	463,753
Segment liabilities	98,560	-	1,747	100,307

NOTE 21 - FINANCIAL REPORTING BY SEGMENTS (Cont'd)

Geographical segments	Australia	China $	India $	Consolidated $
30 June 2005				
Revenue				
External segment revenue	41,589	-	198,005	239,594
Unallocated income				85,511
Total revenue				325,105
Result				
Segment result	(3,702)	-	60,626	56,924
Unallocated corporate expenses				2,450,120
Net loss				2,393,196
Assets				
Segment assets	2,447,152	389,512	339,493	3,176,157
Unallocated corporate assets				-
				3,176,157
Including non-current assets acquired during the year:				
Plant and equipment	114,528	240,517	9,579	364,624
Segment liabilities	198,408	175,143	62,458	436,009

Division of the consolidated entity's results and assets into geographical segments has been ascertained by direct identification of assets and revenue cost centres. There are no intersegment revenue transactions and the major products are cutters, bins and syringes.

NOTE 22 – EXPLANATION OF TRANSITION TO AIFRS

As stated in significant accounting policies note 1(a), these are the Company's and consolidated entity's first statements prepared in accordance with AIFRSs.

The policies set out in the significant accounting policies section of this report have been applied in preparing the financial statements for the financial year ended 30 June 2006, the comparative information presented in these financial statements for the financial year ended 30 June 2005 and in the preparation of an opening AIFRS balance sheet at 1 July 2004 (the Company's and consolidated entity's date of transition).

The transition to AIFRS has no material impact on the Company and consolidated entity's financial position, financial performance or cash flows, hence the Company and consolidated entity has made no material adjustments to amounts reported previously in financial statements prepared in accordance with its previous basis of accounting (previous GAAP), other than reclassifications.

Additional Stock Exchange Information

Additional information as at 31 August 2006 required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report.

Home Exchange

The Company is listed on the Australian Stock Exchange. The Home Exchange is Sydney.

Audit Committee

As at the date of the Directors' Report, there was no audit committee of the Board of Directors, because the small number of Directors comprising the Board considers all matters that otherwise would be considered by an audit committee.

Substantial Shareholdings

At 31 August 2006 the Register of Substantial Shareholders showed the following:

Archer Family Investments Pty Ltd	23,958,623
Script to Screen Pty Ltd	6,060,843

Class of Shares and Voting Rights

The voting rights attached to ordinary shares, as set out in the Company's Constitution, are that every member in person or by proxy, attorney or representative, shall have one vote on a show of hands and one vote for each share held on a poll.

A member holding partly paid shares is entitled to a fraction of a vote equivalent to the proportion which the amount paid up bears to the issue price for the share.

Distribution of Shareholders

At 31 August 2006, the distribution of each class of equity was as follows:

Range	Total Holder	Fully Paid Ordinary	% Issued Capital
1 - 1,000	26	338	0.00
1,001 - 5,000	14	54,542	0.06
5,001 – 10,000	79	719,194	0.75
10,001 – 100,000	207	9,125,832	9.53
100,001 and over	110	85,864,358	89.66
		95,764,264	100.00

At 31 August 2006, 56 shareholders held less than a marketable parcel of shares.

Additional Stock Exchange Information

Shares Subject to Escrow Restrictions

The Company had 12,729,083 fully paid ordinary shares released from escrow on 18 September 2005.

The Company had 5,200,000 fully paid ordinary shares released from escrow on 20 September 2005.

The Company had 3,150,000 terminating preference shares released from escrow on 20 September 2005.

As the date of the Annual Report, the Company had 23,191,605 fully paid ordinary shares and 6,850,000 terminating preference shares subject to escrow restrictions until 20 December 2006.

Use of Cash and Assets

Since the Company's listing on the Australian Stock Exchange, the Company has used its cash and assets that it had at the time of listing in a way consistent with its stated business objectives.

On Market Buy Back

There is no on market buy-back.

Twenty Largest Shareholders

At 31 August 2006 the twenty largest quoted shareholders held 60.32% of the fully paid ordinary shares as follows:

	Name	Number	%		Name	Number	%
1	Archer Family Investments Pty Ltd	23,958,623	25.02	**11**	Carolyn Norris	1,192,195	1.24
2	Script to Screen Pty Ltd	6,060,843	6.33	**12**	Mdm Thie Tjie Hoa	1,171,400	1.22
3	Nicholas S Dawson	3,916,319	4.09	**13**	Speedcorp No 15 Pty Ltd	1,020,000	1.07
4	Rosignol Pty Ltd	2,500,000	2.61	**14**	Mrs Joyce Edith Starnes	1,001,400	1.05
5	Mr Andrew Fay	2,163,692	2.26	**15**	Altinova Nominees Pty Ltd	1,000,000	1.04
6	Mrs Narelle Fay	2,100,000	2.19	**16**	BSM Group Pty Ltd	1,000,000	1.04
7	Greenstead Capital Pty Limited	2,100,000	2.19	**17**	Mr Gregory Alan Nettle	1,000,000	1.04
8	Graham Norris	2,097,196	2.19	**18**	Mr Iain Richard Campbell	950,000	0.99
9	ANZ Nominees Limited	1,500,000	1.57	**19**	PRAF Investments Pty Ltd	925,000	0.97
10	Mr Warwick Crumblin and Mrs Mary Crumblin	1,250,000	1.31	**20**	Mr Neil Edward Ellis	861,074	0.90

Archer Family Investments Pty Ltd is the holder of 5,850,000 terminating preference shares.