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ABN 30 096 048 912

13 September 2005

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

(41 pages by email)

Dear Madam,

RE: PRELIMINARY FINAL REPORT

In accordance with Listing Rule 4.3BA, I attach the Company's Appendix 4E, Preliminary Final Report, for the year ended 30 June 2005.

Yours sincerely

A handwritten signature in black ink, appearing to read "Peter J. Nightingale". The signature is fluid and cursive, with a long horizontal stroke at the end.

Peter J. Nightingale
Company Secretary

pjn3150

Appendix 4E

Preliminary final report

Name of entity

IMD GROUP LIMITED

ABN or equivalent company reference

30 096 048 912

Financial year ended ('current period')

30 JUNE 2005

Results for announcement to the market

Revenues from ordinary activities	up	1,544%	to	\$325,104
Loss from ordinary activities after tax attributable to members	up	108%	to	\$2,393,196
Net loss for the period attributable to members	up	108%	to	\$2,393,196
Dividends (distributions)	Amount per security		Franked amount per security	
Final dividend	Nil		Nil	
Interim dividend	Nil		Nil	
Previous corresponding period				
Final dividend	Nil		Nil	
Interim dividend	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 2005.				
NTA backing	Current period		Previous corresponding period	
Net tangible asset backing per ordinary security	3.7 cents		N/A	

The accounts which form part of this Appendix 4E are in the process of being audited.



**2005
ANNUAL REPORT**

**IMD GROUP LIMITED
AND ITS CONTROLLED ENTITIES**

C o r p o r a t e D i r e c t o r y

CORPORATE DIRECTORY

IMD GROUP LIMITED

ABN 30 096 048 912

CHIEF EXECUTIVE OFFICER

Mr Robert Krakowiak

DIRECTORS

Mr Keith Cadell (Chairman)

Dr Steve E J Andersen

Mr Robert J Archer

Mr Peter E Roberts

COMPANY SECRETARY

Mr Peter J Nightingale

REGISTERED OFFICE

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SILVERWATER NSW 2128 Australia

AUDITORS

KPMG

Level 30, Central Plaza One

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BRISBANE QLD 4000 Australia

SHARE REGISTRAR

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**IMD GROUP LIMITED
AND ITS CONTROLLED ENTITIES**

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**IMD GROUP LIMITED
AND ITS CONTROLLED ENTITIES**

C h a i r m a n ' s L e t t e r

Dear Fellow Shareholder

It is a little more than six months since IMD Group Limited was listed on the Australian Stock Exchange. In this time, your Board of Directors has been extremely active and involved in the determination, formulation and implementation of the Company's strategic direction.

The Company's strategic direction is firmly focused to promote business activities that will achieve a positive cash flow. To ensure that the Directors are able to make informed decisions to achieve this objective, each independent Director accepted responsibility for the Company's activities in specific geographical regions in which the Company operates or proposes to operate in the near future.

Dr Stephen Anderson assumed responsibility for North America, Peter Roberts for China and I assumed responsibility for India. During the year, each Director has travelled to the Company's operations in the region for which they are responsible to determine the Company's marketing potential and to review the Company's operating activities so that decisions to allocate human resources and capital can be made to achieve an optimum return.

The Company's strategic direction continues to be:

- To retain the Company's core product groups, namely medical sharps disposal containers, needle disposal units and syringes, as it is believed that there are potential markets for each of these product groups.
- To continue the expansion of the Company's product range by internal research and development and by strategic alliances with external manufacturers and distributors of allied products.
- To manufacture these products at the lowest possible cost without compromising quality so that the products are affordable at an acceptable profit margin.
- To concentrate on the markets of developing countries, particularly Asia where sales have already been achieved.

Details of the Company's achievements during the year ended 30 June 2005 are reported in the Review of Operations.

It is with regret that we accepted the resignation of our founding Managing Director Robert Archer on health grounds. Without his initial determination the IMD Group would not have eventuated. Fortunately, Robert Archer has agreed to continue to make a contribution as a non- executive director.

Robert Krakowiak was appointed as CEO in May 2005 to succeed Robert Archer. Robert Krakowiak was previously General Manager of IMD and is well versed in the Company's operations. His business experience in Asia, particularly India, augurs well for the Company's future.

Yours faithfully



Keith Cadell
Chairman

IMD GROUP LIMITED AND ITS CONTROLLED ENTITIES

Review of Operations

OVERVIEW

The year ended 30 June 2005 has been a significant year in the development of IMD Group Limited and its controlled entities ('IMD' or the 'Company').

The principal activities of the Company during the first half of the year were focused on completion of the Company's prospectus dated 11 November 2004 offering 25 million new fully paid ordinary shares at \$0.20 each to raise \$5.0 million and the admission of the Company for official quotation by the Australian Stock Exchange Limited ('ASX') on 20 December 2004.

During the second half of the year, the Company has focused on optimising its manufacturing arrangements and expanding its distribution channels for its existing product groups of medical sharps disposal containers, needle disposal units and safety syringes whilst applying discretionary funds to research and development of further products.

The following significant events have been achieved by the Company since its listing on the ASX, establishing the foundation for IMD to pursue its objectives to develop, manufacture and distribute a range of medical devices which are targeted at reducing the incidence of sharps injuries within the global health care industry:

- The employment of key distribution, managerial and administrative personnel to manage the Company's operations, including the succession of Robert Krakowiak from General Manager to CEO.
- The commencement of the supply of 14,000 needle disposal units for a PATH aid project in India.
- Distribution focus on markets in Asia (including the Middle East), Africa and Australasia with agreements signed in India, Australia and China and a strategic direction in developed markets that focuses on strategic partnerships rather than pure distribution agreements.
- Negotiation of a supply agreement with China's largest medical consumable company, Shandong Weigao Group.
- Australian TGA and Canadian Health Department approvals received for certain syringe products.
- Rationalisation of manufacturing arrangements towards outsourced contract manufacturing based on closely monitored relationships, including the relocation of the manufacturing of the Nomoresharps™ needle disposal units to India where the majority of sales are geographically located.
- The establishment of a warehousing and distribution centre in Mumbai, India.
- Product developments including:
 - needle disposal units – using plastic injection moulding to achieve higher production rates with lower manufacturing costs;
 - automatic safety retractable syringe and associated products – promising R&D enhancements with a targeted release of an automatic retractable syringe scheduled for the second quarter of 2006;
 - medical sharps disposal containers – a new range of 'nestable' containers is being developed as a distinctive BMDi family brand which will result in significant transport savings.

PRODUCTS

The Company's immediate focus is on the manufacture and distribution of the following products:

- Medical sharps disposal containers.
- The Nomoresharps™ needle disposal units.
- Manual retractable safety syringes in 3cc, 5cc and 10cc sizes.
- Standard non-retractable syringes and intravenous therapy devices.

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R e v i e w o f O p e r a t i o n s

In addition to these lead products which are currently being manufactured, the Company has a number of other products under development or review, including.

- In development
 - A new range of medical sharps disposal containers.
 - A new version of the BMDi Nomoresharps™ needle disposal system.
 - Auto retractable safety syringes in 1cc, 3cc, 5cc and 10cc sizes.

- Under review or sourcing as agency lines:
 - A battery operated 'Plasma Arc' needle disintegrator suitable for use by diabetics.
 - A range of standard and safety lancets.
 - A range of standard and safety scalpels.
 - A range of blood collection and IV therapy devices

Medical Sharps Disposal Containers

IMD has developed a comprehensive range of medical sharps disposal containers which are available in all sizes commonly used for the disposal of general medical sharps waste. In addition, the 10 litre and 19 litre models also come in versions suitable for collection of cytotoxic hazardous waste.

The Company's medical sharps disposal containers have been specifically designed for simplicity of use to minimise mishandling and potential for needle-stick injury or misuse of product. The containers 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 product meets Australian Standard AS4031 and other international standards.
- The containers are designed with manufacturing cost in mind and enter the market at a competitive price relative to other manufacturers.

In February 2005, the Company entered into to a manufacturing agreement with Lizhang Packaging Co. Ltd. ('Lizhang') in China for the manufacture of IMD's complete range of sharps containers. The new arrangements provide IMD with significantly enhanced manufacturing capacity and per unit cost savings. Lizhang will also provide assistance with the development of the new range of BMDi sharps containers which have been designed to give a distinctive BMDi family appearance and will be 'nestable' to save on freight costs and will feature a unique roll-top safety lid. The new range is expected to be available for display at the Medica Expo at Düsseldorf in November this year.

Nomoresharps™ Needle Disposal Unit

The Nomoresharps™ needle disposal unit 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.

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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 and the United Nations to provide safe disposal of used needles.

During November 2004, IMD released the new version Nomoresharps™ Mini Back Pack Unit to the world market and has supplied the Program for Appropriate Technology in Health ('PATH') organisation with 14,000 Nomoresharps™ needle disposal units and 28,000 medical sharps disposal containers to clinics throughout Andhra Pradesh in India.

IMD has also supplied PATH in Vietnam with cutters for trial by the Vietnamese Ministry of Health.

The Nomoresharps™ Mini Back Pack Unit is currently available for use with the standard BMDi 500ml medical sharps disposal container as well as a 400ml cylindrical container ideal for developing markets where conventional hospital waste management systems do not exist. IMD continues to supply the larger 7.6 litre version to distributors in India with interest also coming from Canada and Taiwan.

IMD has commissioned a leading industrial design house in Australia to design a new plastic version of the Nomoresharps™ Mini Back Pack unit incorporating a new cutting blade design which will enable the product to be mass produced using plastic injection moulding, thus achieving higher production rates and lower, more competitive costs. IMD plans to feature the new design at this year's Medica Expo in Düsseldorf.

Manual Retractable Safety Syringes

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.

During the past six months IMD has run parallel development of its own products and searches for other manual retractable safety syringes which are available to be distributed under licence. In February 2005, IMD signed a distribution agreement with Weihai Medical Polymer Group Co. Ltd. ('Shandong Weigao') of China for the distribution of the Shandong Weigao manual safety syringe range exclusively in the Australian and South Pacific region and non-exclusively globally, including the USA which was added by an extension of the agreement in May 2005.

Based on the extended coverage of the agreement, the 3cc, 5cc and 10cc Shandong Weigao manual safety syringes, which are currently in production in China, will be white labelled and badged as IMD products without the Company having to incur the development costs and capital expenditures associated with its in-house manual retractable safety syringe range.

These products are already CE Mark accredited and Australian TGA accreditation has been applied for and is expected to be received this year.

The Shandong Weigao manual safety syringes are considered to be a technically superior product to all manual retractable syringes IMD has researched, as part of the agreement, IMD has negotiated set purchase prices which will enable IMD to maintain its product selling margins.

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Standard non-retractable syringes and intravenous therapy devices

As part of the extended coverage of the Shandong Weigao agreement referred to above, the Company also negotiated the right to distribute the complete Shandong Weigao range of standard non-retractable syringes and intravenous therapy devices exclusively in the Australian and South Pacific region and non-exclusively globally, including the USA.

These products, standard 2cc, 3cc, 5cc, 10cc, 20cc, 30cc and 50cc syringes, 1cc insulin syringes, TB syringes and scalp vein sets, are currently in production in China and will be white labelled and badged as IMD products.

Australian TGA accreditation on these products has been obtained and CE Mark approval is pending.

This agreement, which further diversifies the IMD product range, provides a means by which the Company can offer its distribution channels in the health sector a more comprehensive range of products and further cements the excellent relationship IMD has with Shandong Weigao, one of the dominant distributors of medical devices in China.

DISTRIBUTION AND REGIONAL OPERATIONS

Australia

The operational headquarters of IMD are located in 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, as noted above, are actively involved in the activities of the Company, with three Directors each taking a specific responsibility for a geographic region in which the Company operates or proposes to operate in the near future.

In May 2005 Robert Krakowiak, the former General Manager of IMD took over the role of CEO. With over 22 years' experience in healthcare, environmental and related industries and with extensive experience working in India and China he has the ability to manage the Company through its formative establishment, development and growth phase. In January 2005 IMD appointed Len Bevis who has 30 years' experience in the medical devices and consumables industry as sales and marketing manager for IMD.

During the second half of the year, the operational headquarters of the Company were relocated to the Gateway Business Park at Silverwater in the Western Sydney metropolitan area and all logistics and warehousing for the Australian operations were outsourced to a healthcare industry logistics and supply chain management company located in Western Sydney.

During the year, the Company secured a more reliable manufacturing source for the range of medical waste sharps containers at a more competitive price than was previously being paid. As a result, domestic interest in IMD's range of medical waste sharps containers has increased and in May 2005 the Company secured a supply agreement with the Daniels Group for the supply of 10 litre and 19 litre cytotoxic sharps containers.

Negotiations with other leading national and international distributors are progressing and other products, including a range of standard disposable syringes, scalp vein sets and manually retractable safety syringes are planned to be distributed in Australia in the current financial year.

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R e v i e w o f O p e r a t i o n s

India

India has continued to live up to high expectations and is the market that is providing IMD with the best results in terms of revenues and establishment of distribution channels across key market segments for two of IMD's product groups, the Nomoresharps™ needle disposal units and the BMDi range of medical waste sharps containers.

During the year ended 30 June 2005, the Company commenced 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.

This initial PATH order was fulfilled in August 2005 and the Company has now participated in an Indian Government competitive tender to provide a medical sharps disposal solution to the whole of India.

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 WHO and the United Nations to provide safe disposal of used needles. As a result of this marketing program, subsequent to the end of the financial year, the Company received its first sales order from UNICEF.

During the year ended 30 June 2005, the IMD's India office has, through its distributor network, achieved sales to government hospitals in a number of states including Delhi and Maharashtra and made a significant breakthrough in the private hospital segment by securing orders for sharps containers from Apollo Hospitals in Chennai, India's largest private hospital group.

Encouraged by the opportunities which exist in India such as a growth rate of 17% per annum for the healthcare industry and an expected cost of healthcare in 2005-2006 of \$74 billion coupled with a massive middle class population of over 100 million who are seeking and willing to pay for a higher standard of health care, the Company has established a registered branch office in Mumbai, India. This branch office will be IMD's regional headquarters to service the Indian Subcontinent, Africa, the Middle East and CIS countries.

During the year, IMD negotiated distributor agreements in the north and south of India and since year end, new distributors have been appointed in West Bengal and Orissa in the east of India with plans to appoint at least two more distributors for the western region.

IMD received Indian Government approval for the branch office in April 2005 and, following a visit to India by the Chairman of IMD in June 2005, a warehousing and distribution centre has been established in Mumbai.

In addition to distributing the needle disposal systems and medical waste sharps containers, the Company has commenced to actively promote the Company's current range of safety and standard disposable syringes, needles and scalp vein sets and IMD product samples have been provided to the Government of Tamil Nadu in southern India for consideration for use in that state's HIV/Aids program.

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North America

During the year a review was undertaken as to the most appropriate method for distribution into the North American market, the largest consumer of syringes globally. Due to the complex, competitive, highly regulated and litigious nature of the North American market, it has been decided to seek strategic partnerships rather than pure distribution agreements which include not only sales into North America but the sourcing of product from the region to be distributed globally. The first of these agreements was negotiated during the year with Post Medical Canada Inc. ('Post Medical') who will distribute IMD products in Canada and with IMD having the right to distribute a range of Post Medical products into the key IMD markets of Australia and India. Initial sales of some IMD products have already been achieved in Canada.

The change in North American distribution methodology also resulted in the Company and Exelint International Co. agreeing to terminate an exclusive distribution agreement for the USA which had not yet met certain conditions precedent and was due to expire in June 2006.

China

China is viewed by IMD as the core of product sourcing for the Company. IMD has identified 236 manufacturers of medical disposable products and is constantly looking to these manufacturers for new or competitive products to distribute through IMD's growing distribution network. IMD also believes that a local Chinese partner may ultimately be the key to successful distribution into China and the cultivation of the close relationship with the Shandong Weigao will continue into the future.

IMD currently maintains its office in the Changsha National High Technology Industrial Development Zone in Lu Valley, Hunan Province to support IMD's product sourcing and manufacturing activities in China. In addition, this office is able to support the Company's formative, but growing, consulting advisory service which is offered to facilitate the introduction of other western businesses to China and India as well as being a facilitator for companies from those countries wishing to do business in Australia.

Other Markets

IMD continues to primarily focus on the Australian, North and South East Asian markets with particular emphasis on opportunities which exist in India and neighbouring countries such as Sri Lanka, Pakistan, Bangladesh, Nepal and Bhutan. In addition, through the Company's successful contract with PATH opportunities in Africa, former CIS countries and the Middle East are currently being pursued.

PRODUCT DEVELOPMENT, R&D AND MANUFACTURING

Since its inception, IMD has developed systems that offer solutions to health problems confronting developing countries and developed nations alike. This focus continues and IMD is developing a strategy which utilises IMD's skills in recognising the needs for such products and either developing solutions in-house or through identifying and sourcing new technologies and products with a view to participation in the commercialisation and/or distribution of those technologies. Over the past year IMD has enjoyed considerable success with innovative devices such as the Nomoresharps™ Mini Back Pack. However, the challenge remains for IMD to build on that success and deliver the other solutions including more sophisticated products that are being demanded by both developing and first world markets.

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R e v i e w o f O p e r a t i o n s

Medical Waste Sharps Containers

In February 2005 IMD entered into to a manufacturing agreement with Lizhang in China for the manufacture of IMD's complete range of medical waste sharps containers. These arrangements provide IMD with significantly enhanced manufacturing capacity and per unit cost savings. Recognising an opportunity to further enhance the range of sharps container products, the Company has designed and commenced the development of a new range of BMDi sharps containers which give the product range a distinctive BMDi family appearance, will be 'nestable' to save on freight costs and will feature a unique roll-top safety lid.

These new medical waste sharps containers will differentiate IMD products from its competitors and will be able to be competitively priced. Prototypes of the new medical waste sharps containers have been built and will be displayed at this year's Medica Expo in Düsseldorf.

IMD is also investigating products from other manufacturers and is in discussions with a USA manufacturer with the view to including sharps containers for use in blood collection and a small portable sharps container and syringe destruction device that can be used by diabetics when travelling.

Nomoresharps™ Needle Disposal Unit

The current needle disposal unit, which is highly regarded by organisations such as PATH and the Indian Government and is selling well, is made from stainless steel sheeting and has a complex cutting mechanism, thereby making mass production of the unit difficult and more expensive. During the year, the Company designed a new ABS plastic version of the Nomoresharps™ Mini Back Pack unit incorporating a new cutting blade design which will enable the product to be mass produced using plastic injection moulding, thus achieving higher production rates with significantly lower production costs. Further, the unit has been designed to make it easier to use and incorporates some additional safety features, including an ergonomic cutting handle and a specially designed sharps container to avoid accidental spillage during removal of a full container from the cutting device.

Prototypes of the new model are currently being built for display at this year's Medica Expo in Düsseldorf.

Second and Third Generation Retractable Syringes

Having secured the distribution rights for the Shandong Weigao manual retractable syringe range, IMD is focused on the development and commercialisation of the range of auto retractable devices to which the Company has rights under a technology license agreement.

The first device, an auto retractable syringe is already in basic prototype stage and is scheduled to be at pre-production prototype stage by the end of 2005. The final product will be available in 1cc, 3cc, 5cc and 10cc sizes.

Other products

IMD proactively seeks opportunities to identify and source products that will complement the current product range, have low barriers to market entry and can provide the business with volume sales and therefore cash flow. Several suppliers have been identified globally and IMD is in the process of conducting appropriate user and market research on these devices to determine which ones are prospective and therefore suitable for inclusion in the product range.

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In the developed world, IMD believes that the diabetic market is a prospective, growing niche opportunity on which to focus. The Company is currently evaluating a number of products, including:

- A portable diabetic syringe and lancet disposal system.
- A portable battery powered unit which utilises technology to destroy insulin syringe needles and insulin pen needles.
- A range of safety and standard lancets used for blood sugar testing by diabetics.

REGULATORY APPROVALS

Australia - Therapeutic Goods Administration (TGA)

During the year, the following products were approved by the TGA for supply in Australia:

- Sharps containers in a comprehensive range of sizes.
- Scalp vein set.
- Disposable syringes in 1cc, 2cc, 3cc, 5cc, 10cc, 20cc, 30cc and 50cc sizes.
- Insulin syringe.
- TB syringe.

Application for the Shandong Weigao manual retractable syringes in 3cc, 5cc and 10cc sizes is currently under review by the TGA with approval expected to be received this year.

Europe and Canada – CE Mark and CMDCAS

During the year, the Company successfully completed a surveillance and expansion audit which supports expansion of the existing CE Mark and CMDCAS certification to include the following products:

- Scalp vein set.
- Disposable syringes in 1cc, 2cc, 3cc, 5cc, 10cc, 20cc, 30cc and 50cc sizes.
- Insulin syringe.
- TB syringe.
- Shandong Weigao manual retractable syringes 3cc, 5cc and 10cc sizes.

USA - Food and Drug Administration (FDA)

The Company is conducting a full review of the potential FDA requirements for IMD products with a potential to be distributed into the USA market. The requirements of FDA will depend greatly on who IMD partners with in this market

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**Statement of Corporate Governance for the
year ended 30 June 2005**

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. All directors of the chief entity are actively involved in the operations of the consolidated entity.

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.

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Statement of Corporate Governance for the
year ended 30 June 2005

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.

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D i r e c t o r s ' R e p o r t

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 2005, and the auditors' report thereon.

Directors

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

Keith Cadell (Chairman)	Director since 23 July 2004
Stephen E J Andersen	Director since 23 July 2004
Robert J Archer	Director since 27 February 2001
Peter E Roberts	Director since 23 July 2004

Keith Cadell, Independent Non-Executive Chairman

Keith Cadell has over 18 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.

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 has been a Director since 23 July 2004.

Robert J. Archer, Non-Executive Director

Robert Archer is the founder of the Company. He has 18 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 Managing Director from 27 February 2001 to 31 May 2005.

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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.

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.

Mr Nightingale has, for the past 16 years, been a director or company secretary 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., Bolnisi Gold NL, Biotron Limited, ETT Limited and IMD Group Limited. Mr. Nightingale has been responsible for the financial control, administration, secretarial and in-house legal functions of these companies.

He is currently a director of Bolnisi Gold NL and Planet Gas Limited.

Directors' Interests

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

	Fully Paid Ordinary Shares
Keith Cadell	500,000
Stephen E.J. Andersen	5,989,443
Robert J. Archer	25,833,977
Peter E. Roberts	500,000

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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		No. of Meetings Attended
	Director		
Keith Cadell	12		12
Stephen E.J. Andersen	12		11
Robert J. Archer	13		10
Peter E. Roberts	12		12

Principal Activities

The principal activities of the consolidated entity in the course of the financial year are the investment in, and 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 \$2,393,196 (2004 - \$1,150,212).

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 2005 were as follows:

- Completion of the Company's prospectus dated 11 November 2004, resulting in 25 million new fully paid ordinary shares being issued at \$0.20 each to raise \$5 million.
- Admission to official quotation by the ASX on 20 December 2004.
- Optimisation of manufacturing arrangements and expansion of distribution channels for existing product groups.
- Continued product research and development.
- The employment of key distribution, managerial and administrative personnel.

Review of Operations

The review of operations of the consolidated entity during the year is detailed on pages 2 to 9 of this Annual Report.

Non-audit Services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the board to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 Professional Independence, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below.

	2005	2004
	\$	\$
Statutory audit		
Auditors of the Company		
- audit and review of financial reports	<u>17,100</u>	<u>17,100</u>
Services other than statutory audit		
- review of consolidated entity's prospectus	<u><u>7,000</u></u>	<u><u>7,000</u></u>

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.

Directors' and Senior Executives' Emoluments

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.

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No directors or executives receive performance related remuneration.

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:

<i>Directors</i>	Base emolument \$	Superannuation \$	Other \$	Total \$
Keith Cadell (Chairman)	47,066	4,236	-	51,302
Stephen E.J. Andersen	28,240	2,542	-	30,782
Robert J. Archer	188,572	10,230	200,000	398,802
Peter E. Roberts	28,158	2,534	-	30,692
<i>Executive officers:</i>				
Robert Krakowiak (Chief Executive Officer)	166,269	13,604	-	179,873
Peter J.Nightingale (Company Secretary)	30,000	-	-	30,000

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

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Statements of Financial Performance
for the year ended 30 June 2005

	Notes	Consolidated		Company	
		2005 \$	2004 \$	2005 \$	2004 \$
Revenue from sale of goods	2	239,594	17,399	-	-
Cost of product sold:		(182,669)	(25,277)	-	-
Gross profit from the sale of goods		56,925	(7,878)	-	-
Other revenues from ordinary activities	2	85,511	2,372	84,523	185
Other expenses from ordinary activities:					
- administration and consultants expenses	2	(1,061,834)	(393,673)	(323,347)	(63,567)
- borrowing costs		-	(311)	-	-
- depreciation		(21,480)	(4,620)	-	-
- research and development	2	(83,671)	(396,829)	-	(380,558)
- provision for doubtful debts	2	-	-	(1,465,290)	(1,214,332)
- employee expenses	2	(801,956)	(27,214)	(688,324)	-
- travel and accommodation	2	(254,837)	(233,891)	(49,047)	(10,000)
- occupancy costs		(71,746)	(8,949)	-	(2,273)
- other		(240,108)	(79,219)	(35,354)	(57,176)
Loss from ordinary activities before related income tax expense		(2,393,196)	(1,150,212)	(2,476,839)	(1,727,721)
Income tax expense related to ordinary activities	3	-	-	-	-
Net loss		(2,393,196)	(1,150,212)	(2,476,839)	(1,727,721)
Net loss attributable to outside equity interests		-	(3)	-	-
Net loss attributable to members of the parent entity		(2,393,196)	(1,150,209)	(2,476,839)	(1,727,721)
Basic loss per share	4	<u>4.58 cents</u>			
Diluted loss per share	4	<u>4.58 cents</u>			

Notes to the financial statements are included on pages 20 to 34

**IMD GROUP LIMITED
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Statements of Financial Position
as at 30 June 2005

	Notes	Consolidated		Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
CURRENT ASSETS					
Cash assets	5	2,212,764	169,771	1,953,520	10,112
Receivables	6	161,938	70,066	12,883	8,825
Inventories	7	209,074	7,910	-	-
Other	8	1,515	-	911	-
TOTAL CURRENT ASSETS		2,585,291	247,747	1,967,314	18,937
NON-CURRENT ASSETS					
Plant and equipment	9	534,199	192,995	-	-
Investments in controlled entities		-	-	19	19
Loans to controlled entities	10	-	-	774,573	252,755
Other	8	56,667	-	50,000	-
TOTAL NON-CURRENT ASSETS		590,866	192,995	824,592	252,774
TOTAL ASSETS		3,176,157	440,742	2,791,906	271,711
CURRENT LIABILITIES					
Payables	11	416,345	1,555,608	122,634	1,386,560
Provisions	12	19,664	-	12,750	-
TOTAL CURRENT LIABILITIES		436,009	1,555,608	135,384	1,386,560
TOTAL LIABILITIES		436,009	1,555,608	135,384	1,386,560
NET ASSETS/(LIABILITIES)		2,740,148	(1,114,866)	2,656,522	(1,114,849)
EQUITY					
Contributed equity	13	6,893,098	644,888	6,893,098	644,888
Retained losses	14	(4,152,950)	(1,759,754)	(4,236,576)	(1,759,737)
Total parent entity interest		2,740,148	(1,114,866)	2,656,522	(1,114,849)
Outside equity interests		-	-	-	-
TOTAL EQUITY		2,740,148	(1,114,866)	2,656,522	(1,114,849)

Notes to the financial statements are included on pages 20 to 34

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Statements of Cash Flows
for the year ended 30 June 2005

	Notes	Consolidated		Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts in the course of operations		152,775	36,349	-	-
Cash payments in the course of operations		(3,009,476)	(722,243)	(1,352,489)	(142,441)
Interest received		85,511	-	84,523	-
Net cash used in operating activities	16	(2,771,190)	(685,894)	(1,267,966)	(142,441)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for investments		-	-	-	(18)
Loans to controlled entities		-	-	(1,987,108)	(876,291)
Loans to other entities		(50,000)	-	(50,000)	-
Payments for plant and equipment		(362,684)	(173,948)	-	3,633
Payments for security deposits		(6,667)	-	-	-
Net cash used in investing activities		(419,351)	(173,948)	(2,037,108)	(872,676)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares and options		5,664,403	22,789	5,664,403	22,789
Cost of equity raising		(415,921)	-	(415,921)	-
Proceeds from related party		-	999,728	-	999,728
Net cash provided by financing activities		5,248,482	1,022,517	5,248,482	1,022,517
Net increase in cash held		2,057,941	162,676	1,943,408	7,400
Cash at the beginning of the financial year		169,771	7,095	10,112	2,712
Effect of exchange rate fluctuations on the balance of cash held in foreign currencies		(14,948)	-	-	-
Cash at the end of the financial year	16	2,212,764	169,771	1,953,520	10,112

Notes to the financial statements are included on pages 20 to 34

**IMD GROUP LIMITED
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**Notes to the Financial Statements
for the year ended 30 June 2005**

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

Basis of preparation

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

It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

Basis of consolidation

(i) 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 condensed consolidated interim financial report from the date that control commences until the date that control ceases.

(ii) Associates

Associates are those entities for which the consolidated entity has significant influence, but not control, over the financial and operating policies. The condensed consolidated interim financial statements include the consolidated entity's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the consolidated entity's share of losses exceeds its interest in an associate, the consolidated entity's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of an associate.

(iii) Joint ventures

Joint ventures are those entities over whose activities the consolidated entity has joint control, established by contractual agreement.

Principles of consolidation

The consolidated financial statements of the consolidated entity include the financial statements of the Company and its controlled entities ('the consolidated entity').

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The balances and effects of transactions, between controlled entities included in the consolidated financial statements have been eliminated.

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

Non-current assets valued on cost basis

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amounts at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts, the relevant cash flows are not discounted to their present value.

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**Notes to the Financial Statements
for the year ended 30 June 2005**

Investments

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the statements of financial performance when they are declared by the controlled entities.

Accounts payable

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company or consolidated entity. Trade accounts payable are normally settled within 60 days.

Foreign currencies

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling at that date. Exchange differences arising from such transactions are taken to the statements of financial performance in the financial year in which the exchange rates change.

Taxation

The consolidated entity adopts the income statement liability method of tax effect accounting. Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statements of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to entities with tax losses are only brought to account when their realisation is virtually certain.

Research and development expenditure

Research and development expenditure is expensed as incurred except to the extent that its recoverability is assured beyond reasonable doubt, in which case it is deferred and amortised on a straight line basis over the period in which the related benefits are expected to be realised.

Plant and equipment

The plant and equipment depreciation rate is applied on the basis of units of production over the estimated useful life of the asset so as to write off the net cost of each item of plant and equipment over its expected useful life whilst office equipment is depreciated at rates between 10% and 50%, depending upon the estimated useful life of the asset.

Inventories

Work in progress is valued at the lower of average cost and net realisable value. Costs of production include fixed and variable costs and an appropriate proportion of fixed overheads. Stores are valued at average cost.

Revenue recognition

Revenue from the sale of products is recognised upon the delivery of the products to the customers. Interest revenue is recognised as it accrues.

Goods and services tax

Revenues, 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 Australian Tax Office (ATO). 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 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 statements of financial position.

Cash flows are included in the statements 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.

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Notes to the Financial Statements
for the year ended 30 June 2005

Outside equity interest

Outside equity interest in controlled entities and the outside equity interest in operating loss share of the net loss for the year ended 30 June 2004 total \$nil because the accumulated losses of Bio Medical Developments International Pty Ltd, which is 70% owned by the Company and 30% owned by an outside interest, exceed the outside equity interest's share of total equity of Bio Medical Developments International Pty Ltd.

Notes	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$

NOTE 2 - OPERATING LOSS BEFORE INCOME TAX

Operating loss for the year has been arrived at after including:

Revenue from operating activities

Sales of goods	239,594	17,399	-	-
Interest received	85,511	2,372	84,523	185
	325,104	19,771	84,523	185

Profit from ordinary activities before income tax expense

Expenses from ordinary activities

Administration and consultants expenses:

- general and administrative	375,902	167,381	100,533	63,567
- consultancy	685,932	226,292	222,814	-
Research and development:				
- business development	-	368,000	-	368,000
- research and development	83,671	28,829	-	12,558
Provision for doubtful debts on intercompany loans	-	-	1,465,290	1,214,332
Salary and wages	801,956	27,214	688,324	-
FX loss on cash	14,948	-	-	-
Travel and accommodation	254,837	233,891	49,047	10,000

At 30 June 2005, the consolidated entity had 6 employees (2004 - 1).

**IMD GROUP LIMITED
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Notes to the Financial Statements
for the year ended 30 June 2005

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
NOTE 3 - INCOME TAX				
Prima facie income tax benefit at 30% (2004 - 30%) on operating profit	(717,959)	(345,063)	(1,107,351)	(154,017)
Tax effect of:				
- allowance for doubtful debts	-	-	803,887	-
- sundry items	6,233	475	1,208	55
	<u>(711,726)</u>	<u>(344,588)</u>	<u>(302,257)</u>	<u>(153,962)</u>
Future income tax benefit not brought to account	<u>711,726</u>	<u>344,588</u>	<u>302,257</u>	<u>153,962</u>
Income tax expense/(benefit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Future income tax benefits, calculated at 30%, arising from tax losses and timing differences have not been recognised as an asset because recovery is not virtually certain. The deferred tax liability arising from timing differences where appropriate has been offset against the future income tax benefit as the tax losses will be recouped in the same period that the timing differences reverse:

The potential future income tax benefits will only be obtained if:

- (a) the relevant company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised or the benefit can be utilised by another company in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997;
- (b) the relevant company and/or the consolidated entity continues to comply with the conditions for deductibility imposed by law; and
- (c) no changes in tax legislation adversely affect the relevant company and/or the consolidated entity in realising the benefit.

Future income tax benefit not taken to account	<u>1,279,481</u>	<u>567,755</u>	<u>474,542</u>	<u>172,285</u>
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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.

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Notes to the Financial Statements
for the year ended 30 June 2005

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$

NOTE 4 - LOSS PER SHARE

Basic and diluted loss per share have been calculated using:

Net loss for the year	2,393,196
Weighted average number of ordinary shares	52,267,877

As at 30 June 2005 there are no 'potential' ordinary shares, therefore diluted earnings per share is the same as basic earnings per share.

NOTE 5 - CASH

Cash at bank and on hand	2,037,147	169,771	1,777,903	10,112
Term deposit	175,617	-	175,617	-
	2,212,764	169,771	1,953,520	10,112

The Australian dollar equivalents of unhedged cash balances held in foreign currency calculated at year end rates:

Indian Rupees	213,337	-	-	-
Chinese Yuan Renminbi	1,709	-	1,709	-

NOTE 6 - RECEIVABLES

Current

Trade debtors	123,622	36,804	-	-
GST receivable	30,486	33,262	12,883	8,825
Other	7,830	-	-	-
	161,938	70,066	12,883	8,825

NOTE 7 - INVENTORIES

Finished goods	209,074	7,910	-	-
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Notes to the Financial Statements
for the year ended 30 June 2005

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
NOTE 8 - OTHER ASSETS				
Current				
Other debtors	1,515	-	911	-
		-		-
Non-current				
Security deposits	6,667	-	-	-
Loan to other entities	50,000	-	50,000	-
	56,667	-	50,000	-
NOTE 9 - PLANT AND EQUIPMENT				
Plant and equipment - cost	387,051	137,925	-	-
Accumulated depreciation	(303)	-	-	-
	386,748	137,925	-	-
Furniture and fixtures - cost	105,183	37,213	-	-
Accumulated depreciation	(9,810)	(1,101)	-	-
	95,373	36,112	-	-
Office equipment - cost	56,404	10,816	-	-
Accumulated depreciation	(11,248)	(2,166)	-	-
	45,156	8,650	-	-
Warehouse equipment - cost	18,953	18,953	-	-
Accumulated depreciation	(12,031)	(8,645)	-	-
	6,922	10,308	-	-
Total plant and equipment	534,199	192,995	-	-
Plant and equipment				
Carrying amount at beginning of year	137,925	-	-	-
Additions	249,126	137,925	-	-
Disposals	-	-	-	-
Depreciation	(303)	-	-	-
Carrying amount at year end	386,748	137,925	-	-

**IMD GROUP LIMITED
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Notes to the Financial Statements
for the year ended 30 June 2005

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
NOTE 9 - PLANT AND EQUIPMENT (Con't)				
Furniture and fittings				
Carrying amount at beginning of year	36,112	5,801	-	-
Additions	67,970	31,411	-	-
Disposals	-	-	-	-
Depreciation	(8,709)	(1,100)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Carrying amount at year end	95,373	36,112	-	-
Office equipment				
Carrying amount at beginning of year	8,650	2,994	-	-
Additions	45,588	7,081	-	-
Disposals	-	-	-	-
Depreciation	(9,082)	(1,425)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Carrying amount at year end	45,156	8,650	-	-
Warehouse equipment				
Carrying amount at beginning of year	10,308	10,299	-	-
Additions	-	2,134	-	-
Disposals	-	-	-	-
Depreciation	(3,386)	(2,125)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Carrying amount at year end	6,922	10,308	-	-
NOTE 10 - LOANS TO CONTROLLED ENTITIES				
Non-current				
Loans to controlled entities	-	-	3,454,195	1,467,087
Allowance for doubtful debts	-	-	(2,679,622)	(1,214,332)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	774,573	252,755
NOTE 11 - PAYABLES				
Current				
Trade creditors	300,924	555,880	18,174	386,833
Payroll and GST liabilities	98,873	-	93,576	-
Accruals	10,884	-	10,884	-
Customer deposits	5,664	-	-	-
Loan from related parties	-	999,728	-	999,728
	<hr/>	<hr/>	<hr/>	<hr/>
	416,345	1,555,608	122,634	1,386,560

**IMD GROUP LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the Financial Statements
for the year ended 30 June 2005

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
NOTE 12 - PROVISIONS				
Current				
Provision for employee annual leave	19,664	-	12,750	-

NOTE 13 - CONTRIBUTED EQUITY

Issued and paid up capital

74,900,246 (2004 - 1,000,000)

ordinary shares, fully paid	6,892,098	644,888	6,892,098	644,888
10,000,000 terminating preference shares, fully paid	1,000	-	1,000	-
	6,893,098	644,888	6,893,098	644,888

During the year ended 30 June 2005:

- The Company issued 48,900,246 ordinary shares for cash totalling \$1,663,131. There were no amounts unpaid on the shares.
- The Company issued 25,000,000 ordinary shares for cash totalling \$5,000,000 as a result of the Initial Public Offer on 20 December 2004. There were no amounts unpaid on the shares issued. Transaction costs of \$ 415,921 were recognised as a reduction of proceeds of issue.
- The Company issued 10,000,000 terminating preference shares for cash totalling \$ 1,000. There were no amounts unpaid on the 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.

**IMD GROUP LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the Financial Statements
for the year ended 30 June 2005

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
NOTE 14 - RETAINED LOSSES				
Retained losses at the beginning of the year	(1,759,754)	(609,542)	(1,759,737)	(32,016)
Net loss attributable to members of the parent entity	(2,393,196)	(1,150,212)	(2,476,839)	(1,727,721)
	<u>(4,152,950)</u>	<u>(1,759,754)</u>	<u>(4,236,576)</u>	<u>(1,759,737)</u>

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	
		2005	2004
		%	%
Bio Medical Operations Australia P/L	Australia	100	100
Bio Medical Developments International P/L	Australia	70	70
IMD Consulting P/L	Australia	100	100
International Water Systems P/L	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:

**IMD GROUP LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the Financial Statements
for the year ended 30 June 2005

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
NOTE 16 - STATEMENTS OF CASH FLOWS (Con't)				
Reconciliation of operating profit after tax to net cash provided by operating activities				
Operating profit after income tax	(2,393,196)	(1,150,212)	(2,476,839)	(1,727,721)
Items classified as investing/financing activities				
Borrowing costs	-	-	-	-
Non-cash items				
Depreciation	21,480	4,620	-	-
Provisions	19,664	-	1,478,040	1,214,332
Foreign exchange loss	14,948	-	-	-
Changes in assets and liabilities				
Receivables	(91,872)	(32,795)	(4,058)	-
Inventories	(201,164)	49,372	-	-
Other assets	(1,515)	-	(911)	-
Payables	(139,535)	443,121	(264,198)	370,948
Net cash used in operating activities	(2,771,190)	(685,894)	(1,267,966)	(142,441)

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 of 4.8%.

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, with the exception of intercompany receivables and non-current liabilities which bear no specified terms of repayment and are non-interest bearing. Accordingly, a fair value for these liabilities cannot be calculated.

**IMD GROUP LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements
for the year ended 30 June 2005**

NOTE 18 - DIRECTOR AND EXECUTIVE DISCLOSURE

Directors' and specified executives' remuneration

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.

The following tables provide the details of all directors ('specified directors') and specified executives of the Company and consolidated entity.

Specified Directors	Year	Primary Salary and fees \$	Post-employment Superannuation benefits \$	Other \$	Total \$
<i>Executive</i>					
Keith Cadell (Chairman)	2005	47,066	4,236	-	51,302
	2004	-	-	-	-
Stephen E.J. Andersen	2005	28,240	2,542	-	30,782
	2004	-	-	-	-
Robert J. Archer	2005	188,572	10,230	200,000	398,802
	2004	-	-	368,000	368,000
Peter E. Roberts	2005	28,158	2,534	-	30,692
	2004	-	-	-	-
Total, all specified directors	2005	292,036	19,542	200,000	511,578
	2004	-	-	368,000	368,000
Specified Executives	Year	Primary Salary and fees \$	Post-employment Superannuation benefits \$	Other \$	Total \$
<i>Executive</i>					
Robert Krakowiak (Chief Executive Officer)	2005	166,269	13,604	-	179,873
	2004	-	-	-	-
Peter J. Nightingale (Company Secretary)	2005	30,000	-	-	30,000
	2004	-	-	-	-
Total, all specified executives	2005	196,269	13,604	-	209,873
	2004	-	-	-	-

**IMD GROUP LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements
for the year ended 30 June 2005**

NOTE 18 - DIRECTOR AND EXECUTIVE DISCLOSURE (Con't)

Equity holdings and transactions

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

Specified directors	Held at 1 July 2004	Purchases	Sales	Held at 30 June 2005
Keith Cadell	-	500,000	-	500,000
Stephen E.J. Andersen	4,989,443	1,000,000	-	5,989,443
Robert J. Archer	508,650	25,325,327	-	25,833,977
Peter E. Roberts	-	500,000	-	500,000

Specified 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

NOTE 19 - RELATED PARTY INFORMATION

Directors and specified executives

The names of persons who held office as directors of the Company during the year ended 30 June 2005 are Keith Cadell, Stephen E.J. Andersen, Robert J. Archer and Peter E. Roberts. Details of directors' remuneration are set out in the Directors' Remuneration note above.

During the year ended 30 June 2005 Robert Archer had an interest in an entity, Global Reach Marketing Limited which rendered consultancy services to the consolidated entity. Fees paid to Global Reach Marketing Limited during the year, which were in the ordinary course of business and on normal commercial terms and conditions, amount to \$48,327 (2004 - \$0). These fees have been included in directors' remuneration.

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.

Controlled entities

At balance date, the Company had amounts receivable from, Bio Medical Operations Australia Pty Limited of \$1,845,602 (2004 - \$636,431), Bio Medical Developments International Pty Limited of \$1,596,282 (2004 - \$828,956), International Water Systems Pty Limited of \$17,107 (2004 - \$1,700) and an amount payable to IMD Consulting Pty Limited of \$4,797 (2004 - \$0). These amounts are all interest free and repayable on demand.

**IMD GROUP LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the Financial Statements
for the year ended 30 June 2005

NOTE 20 - 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 2005				
Revenue				
External segment revenue	41,589	-	198,005	239,594
Unallocated revenue				85,511
Total revenue				<u>325,105</u>
Result				
Segment result	(3,702)	-	60,626	56,924
Unallocated corporate expenses				2,535,631
Net loss				<u>2,393,196</u>
Assets				
Segment assets	2,447,152	389,512	339,493	3,176,157
Unallocated corporate assets				-
				<u>3,176,157</u>
Including non-current assets acquired during the year:				
Plant and equipment	114,528	240,517	9,579	364,624
Segment liabilities	<u>196,457</u>	<u>177,094</u>	<u>62,458</u>	<u>436,009</u>

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 21 - IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian Accounting Standards and other financial reporting requirements (Australian GAAP). The company believes at this point in time there exists no difference between Australian GAAP and IFRS that will have a significant effect on the consolidated entity's financial performance and financial position. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

Transition management

The Company has completed a high level review of the impacts of conversion to IFRS reporting on existing accounting and reporting policies and procedures, systems and processes, business structures and staff. The Company's implementation overview consists of three phases as described below.

**IMD GROUP LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements
for the year ended 30 June 2005**

NOTE 21 - IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Con't)

Assessment and planning phase

The assessment and planning phase aims to produce a high level overview of the impacts of conversion to IFRS reporting on existing accounting and reporting policies and procedures, systems and processes, business structures and staff. This is an ongoing process that continues to evolve with promulgations on AIFRS from the AASB.

This process includes:

- High level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting IFRS
- Assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes
- Evaluation of the implications for staff, for example training requirements
- Preparation of a conversion plan for expected changes to accounting policies, reporting structures, systems accounting and business processes and staff training.

The assessment and planning phase was completed as at 30 June 2005.

Design phase

The design phase aims to formulate the changes required to existing accounting policies and procedures and systems and processes in order to transition to IFRS. The design phase will incorporate:

- Formulating revised accounting policies and procedures for compliance with IFRS requirements
- Identifying potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of IFRS
- Developing revised IFRS disclosures
- Designing accounting and business processes to support IFRS reporting obligations
- Identifying and planning required changes to financial reporting and business source systems
- Developing training programs for staff

The design phase was completed as at 30 June 2005.

Implementation phase

The implementation phase will include implementation of identified changes to accounting and business procedures processes and systems and operational training for staff. It will enable the Company to generate the required disclosures of AASB 1 as it progresses through its transition to IFRS. This phase is substantially complete as at 30 June 2005.

The project is achieving its scheduled milestones and the consolidated entity is expected to be in a position to fully comply with the requirements of AIFRS for the 30 June 2006 financial year.

**IMD GROUP LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements
for the year ended 30 June 2005**

**NOTE 21 - IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL
REPORTING STANDARDS (Con't)**

Impact of transition to AIFRS

The directors do not expect the impact of the differences between Australian GAAP and AIFRS identified to date to have a significant impact on the Company's financial performance and financial position.

The Company has not yet completed its AIFRS transition project to assess the impact of adoption of AIFRS and is not in the position to quantify the effects of all the differences discussed below.

Any assessments made in respect of the transition to AIFRS may require adjustment before inclusion in the first complete annual/half year financial report prepared in accordance with AIFRS due to new or revised standards or interpretations, changes in the operations of the business, or additional guidance on the application of AIFRS in a particular industry or to a particular transaction.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS.

(i) Impairment of Assets

Under AASB 136 *Impairment of Assets* the carrying amount of the consolidated entity's non-current assets will be reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset will be tested for impairment by comparing its recoverable amount to its carrying amount.

The recoverable amount of the assets will be the greater of the fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows will be discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the risks specific to the asset or cash generating unit. Cash flows will be estimated for the asset or cash generating unit in its current condition and therefore will not include cash inflows and outflows improving or enhancing the asset's performance or expected to arise from future restructuring not yet committed to at testing date.

Impairment losses will be reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss will be 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.

(ii) Income Taxes

Under AASB 112 *Income Taxes* the consolidated entity is required to use a balance sheet liability method, rather the current income statement method which recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. A deferred tax asset will be recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

**IMD GROUP LIMITED
AND ITS CONTROLLED ENTITIES**

**A d d i t i o n a l S t o c k E x c h a n g e
I n f o r m a t i o n**

Additional information as at 8 September 2005 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 does not warrant the formal constitution of such a committee.

Substantial Shareholdings

At 8 September 2005 the Register of Substantial Shareholders showed the following:

Archer Family Investments Pty Ltd	25,833,977
Script to Screen Pty Ltd	5,989,443

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 8 September 2005, the distribution of each class of equity was as follows:

Range	Total Holder	Fully Paid Ordinary	% Issued Capital
1 - 1,000	0	0	0.00
1,001 - 5,000	12	44,600	0.05
5,001 – 10,000	75	723,924	0.85
10,001 – 100,000	231	9,945,839	11.73
100,001 and over	111	74,085,901	87.37
	429	84,800,264	100.00

At 8 September, 14 shareholders held less than a marketable parcel of shares.

On Market Buy Back

There is no on market buy-back.

**IMD GROUP LIMITED
AND ITS CONTROLLED ENTITIES**

**A d d i t i o n a l S t o c k E x c h a n g e
I n f o r m a t i o n**

Twenty Largest Shareholders

At 8 September 2005 the twenty largest quoted shareholders held 62.37% of the fully paid ordinary shares as follows:

Name	Number	%	Name	Number	%
Archer Family Investments Pty					
1 Ltd	25,833,977	30.46	11 Kefu Underwriters Pty Limited	723,000	0.85
2 Script to Screen Pty Ltd	5,989,443	7.06	12 Consorteo Pty Ltd	655,665	0.77
			13 Gilbert Burgess + Giovanni		
3 Nicholas S Dawson	3,916,319	4.62	Burgess	625,000	0.74
4 Rosignol Pty Ltd	2,500,000	2.95	14 Austrom Pty Ltd	600,000	0.71
			Mr Warwick Crumblin and Mrs		
5 Greenstead Capital Pty Limited	2,100,000	2.48	15 Mary Crumblin	600,000	0.71
6 Graham Norris	2,097,196	2.47	16 PRAF Investments Pty Ltd	550,000	0.65
7 Thomas J Mann	1,500,000	1.77	17 Dilankex Pty Ltd	500,000	0.59
8 Carolyn Norris	1,192,195	1.41	18 Andrew Fay	500,000	0.59
9 Altinova Nominees Pty Ltd	1,000,000	1.18	19 Narelle Fay	500,000	0.59
10 BSM Group Pty Ltd	1,000,000	1.18	20 Navetep Pty Ltd	500,000	0.59