



**IMD GROUP**  
LIMITED

ABN 30 096 048 912

Level 8  
261 George Street  
Sydney NSW 2000  
Australia  
Tel: 61 2 9247 5087  
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28 September 2006

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

(54 pages by email)

Dear Madam,

**ANNUAL REPORT AND NOTICE OF AGM**

In accordance with Listing Rule 4.7, I attach the Company's Annual Report for the year ended 30 June 2006. I also attach a copy of the Company's Notice of Annual General Meeting to be held on 24 November 2006.

Yours sincerely

Peter J. Nightingale  
Company Secretary

pjn3637



**2006**  
**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**

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**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**

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Email: [info@imdgroup.com.au](mailto:info@imdgroup.com.au)

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**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**

**C o n t e n t s**

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**IMD GROUP LIMITED  
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**C h a i r m a n ' s   L e t t e r**

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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**

# **IMD GROUP LIMITED AND ITS CONTROLLED ENTITIES**

## **Operating and Financial Review**

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### **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 to be on the development, manufacture and distribution of 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.

**IMD GROUP LIMITED  
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**Operating and Financial Review**

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**PRODUCTS**

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

- BMDi Nomosharps™ medical sharps collectors.
- BMDi Nomosharps™ 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
- InviroLINK>> 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.

# IMD GROUP LIMITED AND ITS CONTROLLED ENTITIES

## Operating and Financial Review

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- 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.





# **IMD GROUP LIMITED AND ITS CONTROLLED ENTITIES**

## **Operating and Financial Review**

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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 InviroLINK plastic needles, 1 million InviroSTRIPE syringes with InviroLINK 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.

# **IMD GROUP LIMITED AND ITS CONTROLLED ENTITIES**

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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 has 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:

- **InviroLINK>> 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 InviroLINK>> 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 InviroLINK>> Vial Access Plastic Cannula requires little or no change in existing protocols and is simple to use.
- **InviroLINK>> Vial Access Plastic Cannula Luer Lock Syringe**, a medication delivery system which incorporates the InviroLINK>> 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 InviroLINK>> 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.

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## **Operating and Financial Review**

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### **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.

# IMD GROUP LIMITED AND ITS CONTROLLED ENTITIES

## Operating and Financial Review

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### 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.

**IMD GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**Statement of Corporate Governance for the  
year ended 30 June 2006**

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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.

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**Statement of Corporate Governance for the  
year ended 30 June 2006**

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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.

# **IMD GROUP LIMITED AND ITS CONTROLLED ENTITIES**

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

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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.

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

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### **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.



**IMD GROUP LIMITED  
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**D i r e c t o r s '   R e p o r t**

**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, including terminating preference shares, 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.

**IMD GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**D i r e c t o r s '   R e p o r t**

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**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.

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

**Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

The lead auditor's independence declaration is set out on page 17 and forms part of the directors' report for the year ended 30 June 2006.

**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.

# IMD GROUP LIMITED AND ITS CONTROLLED ENTITIES

## D i r e c t o r s '   R e p o r t

### 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
		\$	\$	\$	\$
<i>Directors</i>					
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
<i>Executive officers:</i>					
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

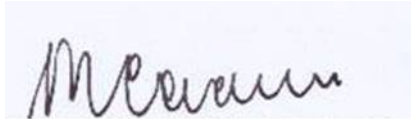
No options or bonuses were granted to directors or executive officers as part of their remuneration.

**IMD GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**D i r e c t o r s '   R e p o r t**

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Signed at Sydney this 26<sup>th</sup> day of September 2006  
in accordance with a resolution of the Board of Directors:

A handwritten signature in dark ink, appearing to read 'M. Cadell', is shown on a light blue rectangular background.

**Keith Cadell**  
**Director**



**Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

To the Directors of IMD Group Limited:

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2006, there have been:

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

A handwritten signature in black ink that reads 'KPMG'.

**KPMG**

A handwritten signature in black ink that reads 'S.J. Board'.

**S.J. Board**  
**Partner**

26 September 2006

**IMD GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**I n c o m e   S t a t e m e n t s  
f o r   t h e   y e a r   e n d e d   3 0   J u n e   2 0 0 6**

	Notes	Consolidated		Company	
		2006	2005	2006	2005
		\$	\$	\$	\$
<b>Revenue from sale of goods</b>	2	547,817	239,594	-	-
Cost of goods sold		(571,295)	(182,669)	-	-
<b>Gross profit/(loss)</b>		(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 expenses	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)
<b>Results from operating activities</b>		(2,308,852)	(2,478,707)	(2,488,321)	(2,561,362)
Financial income	2	42,013	85,511	30,898	84,523
<b>Net financing income</b>		42,013	85,511	30,898	84,523
<b>Loss before related income tax expense</b>		(2,266,839)	(2,393,196)	(2,457,423)	(2,476,839)
Income tax expense	3	-	-	-	-
<b>Loss for the period</b>		(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**

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

**B a l a n c e S h e e t s  
a s a t 3 0 J u n e 2 0 0 6**

	<b>Notes</b>	<b>Consolidated</b>		<b>Company</b>	
		<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>					
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
<b>TOTAL CURRENT ASSETS</b>		<b>1,037,115</b>	<b>2,585,291</b>	<b>471,264</b>	<b>1,967,314</b>
<b>NON-CURRENT ASSETS</b>					
Plant and equipment	9	146,244	534,199	-	-
Investments	10	-	-	401,398	774,592
Other	8	6,667	56,667	-	50,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>152,911</b>	<b>590,866</b>	<b>401,398</b>	<b>824,592</b>
<b>TOTAL ASSETS</b>		<b>1,190,026</b>	<b>3,176,157</b>	<b>872,662</b>	<b>2,791,906</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	11	67,834	416,345	31,583	122,634
Employee benefits	12	32,473	19,664	25,570	12,750
<b>TOTAL CURRENT LIABILITIES</b>		<b>100,307</b>	<b>436,009</b>	<b>57,153</b>	<b>135,384</b>
<b>TOTAL LIABILITIES</b>		<b>100,307</b>	<b>436,009</b>	<b>57,153</b>	<b>135,384</b>
<b>NET ASSETS</b>		<b>1,089,719</b>	<b>2,740,148</b>	<b>815,509</b>	<b>2,656,522</b>
<b>EQUITY</b>					
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)
<b>TOTAL EQUITY</b>		<b>1,089,719</b>	<b>2,740,148</b>	<b>815,509</b>	<b>2,656,522</b>



**IMD GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**S t a t e m e n t s o f C a s h F l o w s  
f o r t h e y e a r e n d e d 3 0 J u n e 2 0 0 6**

	Notes	Consolidated		Company	
		2006	2005	2006	2005
		\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
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
<b>Net cash used in operating activities</b>	16	(1,876,449)	(2,771,190)	(675,893)	(1,267,966)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investments in 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)	-	-
<b>Net cash used in investing activities</b>		(122,593)	(419,351)	(1,424,035)	(2,037,108)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
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		-	-	-	-
<b>Net cash provided by financing activities</b>		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)	-
<b>Cash and cash equivalents at the end of the financial year</b>		823,280	2,212,764	469,355	1,953,520

**IMD GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements  
for the year ended 30 June 2006**

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**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').

The financial report was authorised for issue by the directors on 26 September 2006.

**Going concern**

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

The Company and the consolidated entity have incurred significant trading losses in the year ended 30 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.

**IMD GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements  
for the year ended 30 June 2006**

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- 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.

**IMD GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements  
for the year ended 30 June 2006**

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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.

**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.

Investments in subsidiaries are carried at their cost of acquisition less impairment losses in the Company's financial statements

**Plant and equipment**

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. The residual value, useful life and depreciation method applied to an asset are reassessed at least annually.

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, warehouse equipment and furniture and fittings are depreciated at rates between 10% and 50% per annum.

**IMD GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements  
for the year ended 30 June 2006**

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**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 when there is reasonable assurance that the grants will be received.

*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, other than inventories 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.

**Calculation of recoverable amount**

The recoverable amount of assets is the greater of their fair value less cost to sell 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.

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.

**IMD GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements  
for the year ended 30 June 2006**

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**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.

***Tax Consolidation***

The Company and its wholly owned Australian resident entities have formed a tax consolidated group with effect from 1 July 2004 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is IMD Group Limited. Bio Medical Developments International P/L remains a separate entity for taxation purposes.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax consolidated group). Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities in the Company's balance sheet and their tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses assumed by the head entity from the subsidiaries in the tax consolidated group are recognised as amounts receivable or payable to other entities in the tax consolidated group. Any difference between these amounts is recognised by the Company as an equity contribution to or distribution from the subsidiary. Distributions firstly reduce the carrying amount of the investment in the subsidiary and are then recognised as revenue.

**IMD GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements  
for the year ended 30 June 2006**

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The Company recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

*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 balance sheet.

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, geographical, 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, 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 in the income statement when the significant risks and rewards of ownership have been transferred 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.

**IMD GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements  
for the year ended 30 June 2006**

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**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

**Share capital transaction costs**

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

**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.



**IMD GROUP LIMITED  
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	<b>Consolidated</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>NOTE 2 – LOSS FROM OPERATING ACTIVITIES</b>				
Loss from ordinary activities includes the following items of revenue and expense:				
<b>Revenue</b>				
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
<b>Expenses</b>				
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 expenses	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	463,753	-	-	-
Employee entitlements	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).

**IMD GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements  
for the year ended 30 June 2006**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>3. INCOME TAX EXPENSE</b>				
<b>Numerical reconciliation between tax expense and pre-tax net profit</b>				
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/ (decrease) in income tax expense due to:				
- Effect of tax losses of other entities in tax consolidated group	-	-	(381,563)	(181,203)
- Non-deductible expenses	6,258	6,233	545,697	445,820
- Effect of tax losses not brought to account	673,524	711,726	573,093	478,435
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:				
Deductible temporary differences	120,140	-	120,140	-
Tax losses	1,860,320	1,278,095	1,356,705	759,855
Net	1,980,460	1,278,095	1,476,845	759,855

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.

**IMD GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements  
for the year ended 30 June 2006**

**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:

	<b>Consolidated</b>	
	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
Net loss for the year	2,266,839	2,393,196

	<b>Number</b>	<b>Number</b>
<b>Weighted average number of ordinary shares</b>		
Issued ordinary shares at beginning of year	74,900,264	997,260
Effect of shares issued in 18 September 2004	-	2,709,834
Effect of shares issued in 18 September 2004	-	26,571,194
Effect of shares issued in 20 September 2004	-	8,838,904
Effect of shares issued in 20 December 2004	-	13,150,685
Effect of shares issued in 11 May 2006	1,397,260	-
Effect of shares issued in 21 June 2006	23,672	-
Issued ordinary shares at year end	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.

	<b>Consolidated</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
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**

Trade 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	-	-
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**IMD GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements  
for the year ended 30 June 2006**

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

**IMD GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements  
for the year ended 30 June 2006**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>NOTE 9 – PROPERTY, PLANT AND EQUIPMENT (Con't)</b>				
<b>Furniture and fittings</b>				
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	-	-
<b>Office equipment</b>				
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	-	-
<b>Warehouse equipment</b>				
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 decision, the consolidated entity assessed the carrying amount of the specialised machines dedicated to these products and the carrying amount of those machines was written down by \$371,018.

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

**IMD GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements  
for the year ended 30 June 2006**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>NOTE 10 – INVESTMENTS</b>				
<b>Non-current</b>				
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. The estimated recoverable amount consists of cash and cash equivalents and the extent net receivables exceed net payables, the proceeds of which it is expected will be returned to the Company.

**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
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**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

	<b>2006</b>		<b>2005</b>	
	<b>No.</b>	<b>\$</b>	<b>No.</b>	<b>\$</b>
<b>Fully paid ordinary shares</b>				
Balance at beginning of 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

**IMD GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements  
for the year ended 30 June 2006**

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 beginning of 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 year end	(6,419,789)	(4,152,950)	(6,693,999)	(4,236,576)

**IMD GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements  
for the year ended 30 June 2006**

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**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

**Minority interests**

Minority interests 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.



**IMD GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements  
for the year ended 30 June 2006**

**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 Balance Sheets as follows:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Reconciliation of net loss from operating activities to net cash used in operating activities</b>				
Loss from operating activities after tax	(2,266,839)	(2,393,196)	(2,457,423)	(2,476,839)
<b>Items classified as investing/financing activities</b>				
<b>Non-cash items</b>				
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	-	-	-
<b>Changes in assets and liabilities</b>				
Receivables	55,030	(91,872)	12,275	(4,058)
Inventories	116,824	(201,164)	-	-
Other assets	(13,161)	(1,515)	(389)	(911)
Payables	(348,356)	(139,535)	(91,051)	(264,198)
<b>Net cash used in operating activities</b>	<b>(1,876,449)</b>	<b>(2,771,190)</b>	<b>(675,893)</b>	<b>(1,267,966)</b>

**NOTE 17 - FINANCIAL INSTRUMENTS DISCLOSURE**

**Interest rate risk**

With the exception of cash, all the Company's and consolidated entity's 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 Company and consolidated entity does not enter into foreign exchange contracts to hedge purchases and sales denominated in foreign currencies.

**IMD GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements  
for the year ended 30 June 2006**

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**Credit risk exposure**

The credit risk exposure on financial assets of the Company and consolidated entity which have been recognised on the Balance Sheets 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 CONTINGENCIES**

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.

**IMD GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements  
for the year ended 30 June 2006**

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

<b>Directors</b>	<b>Year</b>	<b>Primary salary and fees \$</b>	<b>Post-employment Superannuation benefits \$</b>	<b>Termination payment \$</b>	<b>Total \$</b>
<i>Executive</i>					
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 directors	2006	103,270	9,294	-	112,564
	2005	292,036	20,970	200,000	513,006
<b>Executives</b>	<b>Year</b>	<b>Primary salary and fees \$</b>	<b>Post-employment Superannuation benefits \$</b>	<b>Termination payment \$</b>	<b>Total \$</b>
<i>Executive</i>					
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 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

**IMD GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements  
for the year ended 30 June 2006**

**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 in the Company held directly, indirectly or beneficially, by each specified director or specified executive, including their personally-related entities, is as follows:

<b>Directors</b>	<b>Held at 1 July 2005</b>	<b>Purchases</b>	<b>Sales</b>	<b>Held at 30 June 2006</b>
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, including terminating preference shares, at the date of resignation.

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

<b>Specified directors</b>	<b>Held at 1 July 2004</b>	<b>Purchases</b>	<b>Sales</b>	<b>Held at 30 June 2005</b>
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

<b>Executives</b>	<b>Held at 1 July 2004</b>	<b>Purchases</b>	<b>Sales</b>	<b>Held at 30 June 2005</b>
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 terminating preference shares and a Stephen Andersen related entity acquired 1,000,000 terminating preference shares. These holdings are reflected in the balances above. The entities subscribed for these shares along with other shareholders in their capacity as a shareholder as opposed to a position as director or executive. The shares were issued for a deemed fair value at the time of \$0.0001 each.

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). Amounts unpaid at 30 June 2006 totaled \$10,000.

**IMD GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements  
for the year ended 30 June 2006**

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- note 10.

**NOTE 21 - FINANCIAL REPORTING BY SEGMENTS**

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

<b>Geographical segments</b>	<b>Australia</b>	<b>China</b>	<b>India</b>	<b>Consolidated</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>30 June 2006</b>				
<b>Revenue</b>				
External segment income	306,916	-	240,901	547,817
Unallocated income				86,948
<b>Total revenue</b>				<u>634,765</u>
<b>Result</b>				
Segment result	(105,213)	(4,805)	(95,420)	(205,438)
Unallocated corporate expenses				2,061,401
<b>Net loss</b>				<u>2,266,839</u>
<b>Assets</b>				
Segment assets	891,697	78,148	220,181	1,190,026
Unallocated corporate assets				-
				<u>1,190,026</u>
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
	<u>92,735</u>	<u>371,018</u>	<u>-</u>	<u>463,753</u>
<b>Segment liabilities</b>	<u>98,560</u>	<u>-</u>	<u>1,747</u>	<u>100,307</u>

**IMD GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements  
for the year ended 30 June 2006**

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

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

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

**IMD GROUP LIMITED  
AND ITS CONTROLLED ENTITIES**

**D i r e c t o r s '   D e c l a r a t i o n**

---

1. In the opinion of the directors of IMD Group Limited:

- (a) the financial statements and notes, set out on pages 18 to 42, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2006 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2006.

Dated at Sydney this 26th day of September 2006.

Signed in accordance with a resolution of the directors:



**Keith Cadell**  
**Director**



## SCOPE

### *The financial report and directors' responsibility*

The financial report comprises the income statements, statements of recognised income and expense, balance sheets, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration set out on pages 18 to 43 for both IMD Group Limited (the "Company") and IMD Group Limited and its controlled entities (the "Consolidated Entity"), for the year ended 30 June 2006. The Consolidated Entity comprises both the Company and the entities it controlled during that financial year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 *First-time adoption of Australian equivalents to International Financial Reporting Standards*.

### *Audit approach*

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

## AUDIT OPINION

In our opinion, the financial report of IMD Group Limited is in accordance with:

- a) the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2006 and of their performance for the financial year ended 30 June 2006; and
  - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements in Australia.

## INHERENT UNCERTAINTY REGARDING CONTINUATION AS A GOING CONCERN

Without qualification to the statement expressed above, attention is drawn to the following matter. As a result of the matters described in note 1 on going concern, there is significant uncertainty whether the Company and consolidated entity will be able to continue as a going concern and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

KPMG

26 September 2006

S.J. Board  
Partner



## Additional Stock Exchange Information

# IMD GROUP LIMITED AND ITS CONTROLLED ENTITIES

## 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.

The Company has 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 57.1% of the fully paid ordinary shares as follows:

	Name	Number	%		Name	Number	%
	Archer Family Investments Pty						
1	Ltd	18,108,623	21.1	11	Mdm Thie Tjie Hoa	1,171,400	1.4
2	Script to Screen Pty Ltd	5,060,843	5.9	12	Graham Norris	1,097,196	1.3
3	Nicholas S Dawson	2,916,319	3.4	13	Speedcorp No 15 Pty Ltd	1,020,000	1.2
4	Rosignol Pty Ltd	2,500,000	2.9	14	Mrs Joyce Edith Starnes	1,001,400	1.2
5	Mr Andrew Fay	2,163,692	2.5	15	Altinova Nominees Pty Ltd	1,000,000	1.2
6	Mrs Narelle Fay	2,100,000	2.4	16	BSM Group Pty Ltd	1,000,000	1.2
7	Greenstead Capital Pty Limited	2,100,000	2.4	17	Mr Gregory Alan Nettle	1,000,000	1.2
8	ANZ Nominees Limited	1,500,000	1.7	18	Mr Iain Richard Campbell	950,000	1.1
9	Mr Warwick Crumblin and Mrs			19	PRAF Investments Pty Ltd	925,000	1.1
	Mary Crumblin	1,250,000	1.5	20	Mr Neil Edward Ellis	861,074	1.0
10	Carolyn Norris	1,192,195	1.4				



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## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Annual General Meeting of members is to be convened at Level 15, 37 York Street, Sydney, NSW, 2000 on 24 November 2006 at 10.00 am.

### **AGENDA**

#### **BUSINESS**

To receive and consider the Company's annual financial report, the directors' report and the auditors' report for the year ended 30 June 2006.

To consider and, if thought fit, pass the following resolutions, with or without amendment:

#### **Ordinary Resolution 1. Adoption of the Remuneration Report**

'That the Remuneration Report for the year ended 30 June 2006 be and is hereby adopted.'

#### **Ordinary Resolution 2. Re-election of a Director**

'That Keith Cadell be and is hereby re-elected as a Director.'

#### **Ordinary Resolution 3. Re-election of a Director**

'That Thomas J. Mann be and is hereby re-elected as a Director.'

#### **Ordinary Resolution 4. Ratification of the Issue of Shares**

'That the issue of 10,000,000 fully paid ordinary shares in the Company on 11 May 2006 for \$0.06 per share be and is hereby ratified in for the purposes of ASX Listing Rule 7.4.'

To transact any other business that may be brought forward in accordance with the Company's Constitution.

Yours sincerely

A handwritten signature in black ink, appearing to read "P. Nightingale", written over a horizontal line.

Peter J. Nightingale  
Company Secretary

26 September 2006

pjn3636

## Notes:

### Resolution 1

The Remuneration Report, which can be found in the Directors' Report in the Company's 2006 Annual Report, contains certain prescribed details, sets out the policy adopted by the Board of Directors and discloses the payments to Directors.

In accordance with section 250R of the Corporations Act, a resolution that the Remuneration Report be adopted must be put to the vote. The resolution is advisory only and does not bind Directors.

### Resolution 2

In accordance with Article 58 of the Company's Constitution and the Corporations Act, Keith Cadell retires as a Director by rotation and, being eligible, offers himself for re-election.

### Resolution 3

In accordance with Article 56 of the Company's Constitution and the Corporations Act, having been appointed as a Director during the year, Thomas J. Mann retires as a Director and, being eligible, offers himself for re-election.

### Resolution 4

Resolution 4 seeks the ratification by shareholders of the issue of 10,000,000 fully paid ordinary shares in the Company on 11 May 2006 for the purposes of ASX Listing Rule 7.4. This ratification will provide the Company with the ability to raise further funds, if required, will maximise the flexibility of the Company's funds management and will facilitate planning for the Company's ongoing activities.

Details of the issue, as required by ASX Listing Rule 7.4 are as follows:

- Number of securities allotted: 10,000,000
- Issue price: \$0.06 per share
- Terms: Fully paid ordinary shares ranking pari passu with existing fully paid ordinary shares.
- Names of allottees: Robert John Charteris, Mr Warwick Crumblin & Mrs Mary Crumblin, DSQ Pty Limited, Richard James Edwards, Andrew Fay, Narelle Fay, Gainfield Consultants Limited, Mdm Thie Tjie Hoa, Dr. Howard Lesmana, Mr Gary Leon Lewis, Gary Leon Lewis & Shirley Anne Lewis <Lewis Super Fund A/C>, McGee Constructions Pty Ltd, Judy and Terry McInerney, Mr Iain Richard Campbell McKean, Reef Securities Limited, Tracy Sims and Mr Jan Van Der Veen.
- Intended use of funds: To provide funds for the continued development and promotion of the Company's new and existing product ranges and for working capital purposes.
- Voting exclusion: The Company will disregard any votes cast on Resolution 4 by:

Robert John Charteris, Mr Warwick Crumblin & Mrs Mary Crumblin, DSQ Pty Limited, Richard James Edwards, Andrew Fay, Narelle Fay, Gainfield Consultants Limited, Mdm Thie Tjie Hoa, Dr. Howard Lesmana, Mr Gary Leon Lewis, Gary Leon Lewis & Shirley Anne Lewis <Lewis Super Fund A/C>, McGee Constructions Pty Ltd, Judy and Terry McInerney, Mr Iain Richard Campbell McKean, Reef Securities Limited, Tracy Sims and Mr Jan Van Der Veen. and any of their associates.

However, the Company need not disregard a vote if:

it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The Company has determined, in accordance with regulation 7.11.37 of the Corporations Regulations 2001 (Cth), that the Company's shares quoted on the Australian Stock Exchange Limited at 7.00 pm Sydney time on 22 November 2006 are taken, for the purposes of the general meeting to be held by the persons who held them at that time. Accordingly, those persons are entitled to attend and vote (if not excluded) at the meeting.



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## FORM OF PROXY

I/we .....  
of .....

being a member/members of IMD Group Ltd HEREBY APPOINT

.....  
or failing him, the Chairman of the Meeting, as my/our Proxy to vote for me/us and on my/our behalf  
at the Annual General Meeting of Members of the Company to be held at 10.00 am on 24  
November 2006 and at any adjournment thereof.

The Proxy is directed by me/us to vote as indicated by the marks in the appropriate boxes below:

RESOLUTION	FOR	AGAINST	ABSTAIN
1. Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of Keith Cadell as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Re-election of Thomas J. Mann as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Ratification of the issue of 10 million shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If no directions are given, the Proxy may vote as the Proxy thinks fit or may abstain. If you mark the  
abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show  
of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### Important:

*If you do not wish to direct your Proxy how to vote, please place a mark in the box:* ☐

*By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has  
an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be  
disregarded because of that interest. The Chairman intends to vote undirected proxies in favour of  
each item.*

Dated this ..... day of ..... 2006.

Signatures of Member(s) .....

THE COMMON SEAL of ..... A.C.N. ....

was hereunto affixed in accordance with its Constitution in the presence of:

.....

Director

Secretary

## PROXY INSTRUCTIONS

1. A member entitled to attend and vote is entitled to appoint not more than 2 proxies.
2. Where more than 1 proxy is appointed, each proxy must be appointment to represent a specified proportion of the member's voting rights.
3. A proxy need not be a member.
4. All joint holders must sign.
5. All executors of deceased estates must sign.
6. Voting exclusion: The Company will disregard any votes cast on Resolution 4 by:

Robert John Charteris, Mr Warwick Crumblin & Mrs Mary Crumblin, DSQ Pty Limited, Richard James Edwards, Andrew Fay, Narelle Fay, Gainfield Consultants Limited, Mdm Thie Tjie Hoa, Dr. Howard Lesmana, Mr Gary Leon Lewis, Gary Leon Lewis & Shirley Anne Lewis <Lewis Super Fund A/C>, McGee Constructions Pty Ltd, Judy and Terry McInerney, Mr Iain Richard Campbell McKean, Reef Securities Limited, Tracy Sims and Mr Jan Van Der Veen. and any of their associates.

However, the Company need not disregard a vote if:

it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or  
it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

7. This Proxy Form (and the original or certified copy of any power of attorney under which this proxy form is signed) must be received at an address given below no later than 48 hours before the time appointed for holding the meeting:
  - in person or by mail at the Company's registered office, Level 8, 261 George Street, Sydney, NSW 2000 Australia; or
  - by facsimile on +61 2 9247 7273.