IMD GROUP LIMITED

A.B.N. 30 096 048 912

and its controlled entities

FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2005

IMD GROUP LIMITED AND ITS CONTROLLED ENTITIES

CONTENTS

Directors' Report

The directors present their report together with the consolidated financial report of the consolidated entity, being IMD Group Limited ('the Company') and its controlled entities for the half year ended 31 December 2005 and the review report thereon.

Directors

The names of the Directors of the Company in office during or since the end of the half year are:

Mr 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.

Mr 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.

Mr 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.

Robert J. Archer
Non-Executive Director

Robert Archer 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. His goal is to engineer simple technologies that will enhance and save lives in the healthcare industry.

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

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.

Peter J. Nightingale
Company Secretary

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

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

Mr Nightingale has, for the past 18 years, been a director or company secretary of a number of private and publicly listed companies in Australia, the USA and Europe. Mr. Nightingale has been responsible for the financial control, administration, secretarial and in-house legal functions of these companies. He is currently a director or company secretary of Biotron Limited, Bolnisi Gold NL, Cockatoo Coal Limited, Palmarejo Silver and Gold Corporation and Planet Gas Limited.

Review of Operations

The principal activities of the Company during the half year ended 31 December 2005 were focused on product development, market development and operating cost control. Significant achievements include:

- The finalisation of the 'proof of concept' stage in the development of the 1cc and 3cc sizes of the IMD automatic retractable safety syringe with commercial quality prototype units scheduled for production in May 2006 for clinical review and regulatory certification prior to full scale production scheduled for March 2007.
- The completion of design work for a range of new medical sharps containers.
- The establishment of a new manufacturing partner in China, Eversincere Enterprise Group Co., Ltd who will be engaged as IMD's development and manufacturing partner for the new auto retractable safety syringe and who will also be IMD's primary source for standard disposable, manual retractable and auto destruct (AD) syringes.
- The establishment of distributors in India, Kuwait, Kyrgyzstan, Indonesia, Thailand and Australia.
- First sales to the Middle East (Kuwait) and to a former CIS country (Kyrgyzstan).
- Successful participation as an exhibitor at Medica Düsseldorf resulting in opportunities to sign on distributors in 16 new markets.

The Company's primary focus is the development, manufacture and distribution of safety products for the healthcare industry, including the following products which will be marketed under the BMDi *Nomoresharps*™ label:

- An enhanced range medical sharps disposal containers to be launched on the Australian market in 2006.
- A range of needle disposal units (cutters).
- An enhanced range of manual retractable safety syringes in 0.5cc, 1.0cc, 3cc, 5cc and 10cc sizes.
- A new range of AD (auto destruct) syringes in 0.5cc, 1.0cc, 2cc, 5cc and 10cc sizes.

In addition to these lead products which are currently being manufactured or scheduled to be in production before the end of the year, the Company will continue to source and sell a range of standard disposable syringes in markets outside Australia where it is opportune and profitable to do so.

Other products that will be released on the market within the next 3 to 6 months under agency agreements with USA supply partners include:

- A battery operated 'Plasma Arc' needle disintegrator suitable for use by diabetics.
- A range of blood collection needle removal devices for sale to pathology laboratories.
- A personal needle disposal system for use by diabetics.

Sales are growing at an acceptable rate and should accelerate with the manufacturing of the new design products in the second half of the year.

Nomoresharps™ Medical Sharps Disposal Containers

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

The Company's medical sharps disposal containers have been specifically designed for simplicity of use to minimise mishandling and potential for needle-stick injury or misuse of product. The containers have been designed with a range of options which include an ergonomic grip jar lid for ease of securing the bin and added safety features such as a needle separation device, non exit teeth on the mouth of the container to stop spillage and a unique design for capturing used syringes which prevents them from exiting the bin.

The product meets both Australian Standard AS4031 and British Standard BS 7320. The containers are designed with manufacturing cost in mind and are available to the market at a competitive price relative to other manufacturers.

During the half year ended 31 December 2005, a new range of 'nestable' safety sharps containers has been designed in a screw lid and 'roll-top' configuration. In addition to the significant transport cost savings which result from the containers being nestable, initial market feedback on the design has been very positive and the Company anticipates that the new range of containers will capture a significant share of the safety sharps container market.

Nomoresharps™ Needle Disposal Unit

The current model *Nomoresharps*™ needle disposal unit combines a high-grade stainless steel cutting device connected to a secure sharps disposal container. With the needle and syringe tip inserted in the cutting aperture, the *Nomoresharps*™ system severs the hub from the syringe, allowing the needle pieces to fall straight into the sharps container with the remaining unusable syringe being 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 and the United Nations to provide safe disposal of used needles.

The Company has been working in consultation with PATH, WHO and other key aid organisations on the development of a new plastic version of the *Nomoresharps*™ needle disposal unit which will result in significant manufacturing cost savings.

Manual Retractable Safety Syringes

The manual retractable safety syringe is one in which, at the end of the injection stroke, the plunger engages the needle carrier and then, upon retraction of the plunger, the needle is withdrawn safely into the barrel of the syringe, encapsulating the needle to prevent needle-stick injury. The plunger is then broken off at a designated weak point to render the syringe unusable.

The Company has secured arrangement to source manual retractable safety syringes from an existing manufacturer, Shandong Weigao. These products will be white labelled and branded as the Company's product.

During the half year, the Company established a relationship with a Chinese development and manufacturing partner for the supply of an enhanced range of manual retractable safety syringes. This partner is already set up for auto assembly of these devices and has both CE and FDA 510K certification on their safety syringes. The Company now has the capacity to quote for the immediate supply of significant volume of product and has enabled the Company to enter into dialogue with a potential USA partner for the supply of a complete range of safety retractable syringes to the USA and other markets.

AD Syringes

The AD (auto disable) syringe is used extensively by WHO, UNICEF and UNFPA. These organisations have issued a joint policy statement that AD syringes are the equipment of choice for administering vaccines, both in routine immunization and mass campaigns. The device is not a true safety device but has been designed to render the syringe unusable after injection when the plunger is locked and cannot be withdrawn from the syringe body. The AD syringe is a logical addition to the Company's product range given the fact that the *Nomoresharps*™ needle disposal unit or similar devices may be recommended by these and other aid organisations for destroying the disabled AD syringe as part of the process for safely administering vaccines and the safe disposal of the used syringes.

Auto Retractable Safety Syringes

The Company's auto retractable safety syringe is in development. The Company's product is an elegant, simple to operate safety syringe that has been designed for high volume low cost production with a view to making it one of the most affordable automatic safety syringes in the market.

During the past six months IMD completed the proof of concept stage of development of the IMD auto retractable safety syringe in 1cc and 3cc sizes. The proof of concept was successful and work is currently underway to design the manufacturing process to be used by the Company's China manufacturing and development partner. Prototype tooling for manufacturing is currently being designed and several thousand prototype samples will be produced for clinical evaluation prior release for external testing and certification by TGA, CE and FDA.

The Company's auto retractable safety syringe has been benchmarked against other established international technologies with very pleasing results.

Other products

The Company is proactively seeking opportunities to identify and source products that will complement the current product range, have low barriers to market entry and can provide the business with volume sales and therefore cash flow. Several suppliers have been identified globally and the Company is in the process of conducting appropriate user and market research on these devices.

In the developed world, IMD believes that the diabetic market is a prospective, growing niche opportunity on which to focus. The Company has acquired the rights to distribute a number of products in this niche segment, including:

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

Result of operations

The consolidated operating loss after income tax attributable to members of the Company for the half year ended 31 December 2005 was $1,187,459 (2004 - $995,821).

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 or 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.

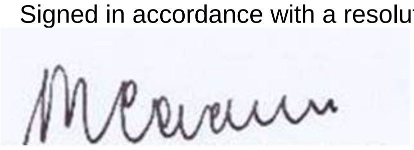
Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The Lead Auditor's Independence Declaration is set out on page 6 and forms part of the Directors' Report for the half year ended 31 December 2005.

Directors' Report

Dated at Sydney this 15th day of March 2006.

Signed in accordance with a resolution of the directors:



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 review for the half year ended 31 December 2005, there have been:

(i) no contravention of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

S.J. Board
Partner

15 March 2006

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Notes	Consolidated Six Months Ended 31 December 2005 $	Consolidated Six Months Ended 31 December 2004 $
Revenue from sale of goods		288,595	25,045
Cost of goods sold		(282,316)	(24,405)
Gross profit		6,279	640
Financial income		26,622	15,357
Expenses			
- Administration and consultants' expenses		(297,486)	(448,546)
- Audit fees		(11,500)	(7,000)
- Depreciation and amortisation		(11,666)	(9,113)
- Advertising and marketing		(21,120)	-
- Direct research and development expenses		(107,146)	(55,133)
- Employee and director expenses		(330,516)	(248,915)
- Rent and outgoings expenses		(30,858)	(37,660)
- Travel		(94,076)	(150,894)
- Fixed assets written-off		(177,811)	-
- Other expenses		(137,552)	(54,557)
Loss before related income tax expense		(1,187,459)	(995,821)
Income tax expense		-	-
Loss for the period		(1,187,459)	(995,821)
Basic loss per share attributable to ordinary shareholders	2	(1.59) cents	(3.25) cents
Diluted loss per share attributable to ordinary shareholders	2	(1.59) cents	(3.25) cents

This consolidated condensed interim income statement is to be read in conjunction with the notes to the consolidated condensed interim financial statements set out on pages 11 to 18.

IMD GROUP LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Six Months Ended 31 December 2005 $	Six Months Ended 31 December 2004 $
Net income recognised directly in equity	-	-
Loss for the period	(1,187,459)	(995,821)
Total recognised income and expense for the period	(1,187,459)	(995,821)

The consolidated condensed interim statement of recognised income and expense is to be read in conjunction with the notes to the consolidated condensed interim financial statements set out on pages 11 to 18.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	Consolidated 31 December 2005 $	Consolidated 30 June 2005 $
CURRENT ASSETS			
Cash and cash equivalents		994,279	2,212,764
Trade and other receivables		83,447	161,938
Inventories		209,491	209,074
Other		2,604	1,515
TOTAL CURRENT ASSETS		1,289,821	2,585,291
NON-CURRENT ASSETS			
Plant and equipment		385,646	534,199
Other		6,667	56,667
TOTAL NON-CURRENT ASSETS		392,313	590,866
TOTAL ASSETS		1,682,134	3,176,157
CURRENT LIABILITIES			
Trade and other payables		96,363	416,345
Employee entitlements		33,084	19,664
TOTAL CURRENT LIABILITIES		129,447	436,009
TOTAL LIABILITIES		129,447	436,009
NET ASSETS		1,552,687	2,740,148
EQUITY			
Issued capital	3	6,893,098	6,893,098
Accumulated losses	4	(5,340,411)	(4,152,950)
TOTAL EQUITY		1,552,687	2,740,148

This consolidated condensed interim balance sheet is to be read in conjunction with the notes to the consolidated condensed interim financial statements set out on pages 11 to 18.

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IMD GROUP LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Consolidated Six Months Ended 31 December 2005 $	Consolidated Six Months Ended 31 December 2004 $
Cash flows from operating activities		
Cash receipts from customers	388,450	27,550
Cash paid to suppliers and employees	(1,476,468)	(1,309,952)
Cash generated from operations	(1,088,018)	(1,282,402)
Interest received	26,622	15,357
Payments for research and development	(107,146)	(58,993)
Net cash from operating activities	(1,168,542)	(1,326,038)
Cash flows from investing activities		
Acquisition of plant and equipment	(57,179)	(322,220)
Net cash from investing activities	(57,179)	(322,220)
Cash flows from financing activities		
Proceeds from issue of share capital	-	6,664,131
Share issue costs	-	(415,921)
Repayment of borrowings	-	(999,728)
Net cash from financing activities	-	5,248,482
Net increase/(decrease) in cash and cash equivalents	(1,225,720)	3,600,224
Cash and cash equivalents at 1 July	2,212,764	169,771
Effects of exchange rate fluctuations on cash held	7,235	-
Cash and cash equivalents at the end of the financial period	994,279	3,769,995

This consolidated condensed interim statement of cash flows is to be read in conjunction with the notes to the consolidated condensed interim financial statements set out on pages 11 to 18.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

IMD Group Limited (the 'Company') is a company domiciled in Australia. The consolidated financial report of the Company for the half year ended 31 December 2005 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity').

The financial report was authorised for issue by the directors on 15 March 2006.

Statement of compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001.

International Financial Reporting Standards ('IFRS') form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ('AIFRS').

This is the consolidated entities first financial report prepared in accordance with AIFRS and AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied. The condensed consolidated interim financial report does not include all of the information required for a full annual financial report.

The interim financial report is to be read in conjunction with the most recent annual financial report, however, the basis of their preparation is different to that of the most recent annual financial report due to the first time adoption of AIFRS. This report must also be read in conjunction with any public announcements made by IMD Group Limited during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity is provided in note 6.

Going concern

The Company and the consolidated entity have incurred significant trading losses in the current half year 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.

In the event that the Company does not obtain this funding, it will be unable to continue its operations as a going concern and therefore the Company and the consolidated entity may not be able to realise its assets and extinguish its liabilities in the normal course of operations and at the amounts stated in the financial statements.

Basis of preparation

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis.

The preparation of an interim financial report in conformity with AASB 134 Interim Financial Reporting requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

These 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

This condensed consolidated interim financial report has been prepared on the basis of AIFRS in issue that are effective or available for early adoption at the consolidated entity's first AIFRS annual reporting date, 30 June 2006. Based on these AIFRS, the Board of Directors have made assumptions about the accounting policies expected to be adopted when the first AIFRS annual financial report is prepared for the year ending 30 June 2006.

The preparation of the condensed consolidated interim financial report in accordance with AASB 134 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards. AIFRS, as required by AASB 1.

The impact of the transition from previous GAAP to AIFRS is explained in note 6.

The accounting policies have been applied consistently throughout the consolidated entity for purposes of this condensed consolidated interim financial report.

Revenue recognition
Interest revenue

Interest revenue is recognised on an accrual basis.

Sale of goods

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

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

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

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

Plant and equipment

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

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

Office equipment is depreciated at rates between 30% and 60% per annum.

Accounts payable

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

Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

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 condensed consolidated interim financial report 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 condensed consolidated interim financial statements.

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

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Gains and losses are recognised as the contributed assets are consumed or sold by the associates and jointly controlled entities or, if not consumed or sold by the associate or jointly controlled entity, when the consolidated entity's interest in such entities is disposed of.

Recoverable amount of non-current assets

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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.

Income tax

Income tax on the income statement for the periods presented 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 following temporary differences are not provided for: goodwill not deductible for tax 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. 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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

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.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Research and development

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.

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.

Impairment

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

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

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

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

Calculation of recoverable amount

The recoverable amount of the consolidated entity's investments 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.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

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.

The recoverable amount of other assets is the greater of their fair value less costs 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.

Goods and Services Tax

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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.

	Consolidated 31 December 2005 $	Consolidated 31 December 2004 $
NOTE 2 - LOSS PER SHARE		
Basic and diluted loss per share have been calculated using:		
Net loss for the half year	1,187,459	995,821
Weighted average number of ordinary shares	74,900,264	30,654,597

Terminating preference shares disclosed in the Issued Capital note are potential ordinary shares, but are not included in the calculation of diluted loss per share as they are not dilutive.

	Consolidated 31 December 2005 $	Consolidated 31 December 2004 $
NOTE 3 - ISSUED CAPITAL		
Issued and paid up capital		
74,900,264 ordinary shares, fully paid	6,892,098	6,892,098
10,000,000 terminating preference shares, fully paid	1,000	1,000
	6,893,098	6,893,098

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 reports 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 31 December 2005 $	Consolidated 31 December 2004 $
NOTE 4 - ACCUMULATED LOSSES		
Accumulated losses at the beginning of half year	4,152,952	1,759,754
Net loss attributable to members of the Company	1,187,459	995,821
Accumulated losses at the end of the half year	5,340,411	2,755,575

NOTE 5 - FINANCIAL REPORTING BY SEGMENTS

Segment information is presented in respect of the consolidated entity’s geographical segments. This is based on the consolidated entity’s management and internal reporting structure.

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

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

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

NOTE 5 - FINANCIAL REPORTING BY SEGMENTS (Con't)

Geographical segments

The consolidated entity operates wholly within the health care industry in Australia, China and India. Manufacturing facilities are operated in China and sales offices are operated in India.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Geographical segments	**Australia**	**China**	**India**	**Consolidated Total**
		$	**$**	**$**
31 December 2005				
Revenue				
External segment revenue	105,421	-	183,174	288,595
Unallocated revenue				26,622
Total revenue				315,217
Result				
Segment result	(31,116)	-	37,395	6,279
Unallocated corporate expenses				(1,193,738)
Net loss				(1,187,459)
Assets				
Segment assets	934,733	293,512	453,890	1,682,134
Unallocated corporate assets				-
				1,682,134
Including non-current assets acquired during the year:				
Plant and equipment	35,275	20,590	1,314	57,179
Segment liabilities	128,231	1,216	-	129,447

NOTE 5 - FINANCIAL REPORTING BY SEGMENTS (Con't)

Geographical segments	Australia	China	India	Consolidated Total
		$	$	$
31 December 2004				
Revenue				
External segment revenue	20,378	3,450	1,217	25,045
Unallocated revenue				15,357
Total revenue				40,402
Result				
Segment result	11,884	2,832	1,217	15,933
Unallocated corporate expenses				(1,011,754)
Net loss				(995,821)
Assets				
Segment assets	2,447,152	389,512	339,493	3,176,157
Unallocated corporate assets				-
				3,176,157
Including non-current assets acquired during the year:				
Plant and equipment	18,608	51,178	-	69,786
Segment liabilities	198,408	175,143	62,458	436,009

NOTE 6 - EXPLANATION OF THE TRANSITION TO AIFRS

As stated in note 1, these are the consolidated entity’s first condensed consolidated interim financial statements for part of the period covered by the first AIFRS annual consolidated financial statements prepared in accordance with Australian Accounting Standards – AIFRS.

The accounting policies in note 1 have been applied in preparing the condensed consolidated interim financial statements for the six months ended 31 December 2005, the comparative information for the six months ended 31 December 2004, the financial statements for the year ended 30 June 2005 and the preparation of an opening AIFRS balance sheet at 1 July 2004 (the consolidated entity’s date of transition).

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

DIRECTORS' DECLARATION

In the opinion of the directors of the Company:

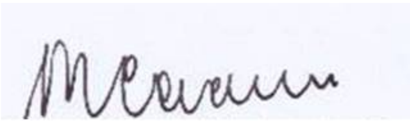
(1) the financial statements and notes, set out on pages 7 to 18, are in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2005 and of its performance, as represented by the results of its operations and its cash flows for the half year ended on that date; and
- (ii) complying with Australian Accounting Standards AASB 134 'Interim Financial Reporting' and the Corporations Regulations 2001; and

(2) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 15th day of March 2006

Signed in accordance with a resolution of the directors:



Keith Cadell
Director

KPMG

Scope

The financial report and director's responsibility
The financial report comprises the condensed consolidated interim statement of income, balance sheet, statement of changes in recognised income and expense, statement of cash flows, accompanying notes 1 to 6 to the financial statements, and the directors' declaration set out on pages 7 to 19 for the IMD Group Limited consolidated entity ("the consolidated entity"), for the half year ended 31 December 2005. The consolidated entity comprises IMD Group Limited ("the company") and the entities it controlled during that half 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 adjustments required under the Australian Accounting Standard AASB 1 *First-Time Adoption of Australian equivalents to International Financial Reporting Standards*.

Review approach
We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of Company personnel; and
- analytical procedures applied to the financial data.

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

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the half year financial report of IMD Group Limited is not in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half year ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001;

(b) other mandatory financial reporting requirements in Australia.

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF IMD GROUP LIMITED

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

15 March 2006

S.J. Board
Partner

CORPORATE DIRECTORY

Directors:

Keith Cadell (Independent Non-Executive Chairman)
Thomas J. Mann (Independent Non-Executive Director)
Peter E. Roberts (Independent Non-Executive Director)

Company Secretary:

Peter J. Nightingale

Chief Executive Officer:

Robert Krakowiak

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Home Exchange:

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20 Bridge Street
SYDNEY NSW 2000

Solicitors:

Minter Ellison
88 Phillip Street
SYDNEY NSW 2000

IMD Group Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.