



Innovating Technologies for Life

2014
Annual Report

ITL 2014 ANNUAL REPORT

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Chairman's Message to Shareholders

2013/14 was a year of consolidation and investment in major capacity expansion for the future.

Summarised financial highlights for the year were as follows:

- Profit after tax of \$2.02m (prior year \$2.46m);
- ITL declares a final fully franked dividend of 0.5cps, which results in a full year dividend of 1.0 cps (prior year 1.25cps);
- Earnings per share of 2.41 cents (prior year 2.54 cents);
- Revenue was \$25.9m (prior year \$24.9m);
- Profit before tax of \$2.08m (prior year \$2.45m);
- EBITDA was \$3.2m (prior year \$3.5m);
- Positive operating cash flow of \$3.3m (prior year \$4.6m);
- Satisfactory gearing (26%) with net debt of \$3.6m at 30/6/14.

Further details are contained in the Review and Results of Operations in the Directors' Report.

New sales opportunities continue to be successfully pursued. Healthcare Australia is now supplying W.A. public hospitals with increasing volumes of intravenous cannula insertion packs. As a supplier of custom sterile packs, Healthcare Australia is also progressively increasing its market share in NSW public hospitals. In addition, the Innovative Products Group has a number of well advanced new business opportunities.

The Group has also launched a major initiative to reduce costs through outsourcing of basic operations from Australia to Malaysia and improved sourcing of key raw materials from Asia.

The existing Malaysian manufacturing facilities at Lahat are significantly space constrained. Relocation to the recently acquired modern medical device factory at Bemban, which is currently being expanded and renovated, will provide a long term solution for the expansion plans of the Innovative Products Group. The overall Group will also benefit through the planned transfer of some business from Healthcare Australia to this new Malaysian facility.

The Board acknowledges the continuing huge contribution from our 270 employees during a challenging year. Their ongoing commitment will form the basis for successful growth of the business going forward.

Despite short term performance being below the prior year, the Group is well positioned to improve future returns to shareholders.



William Mobbs
Executive Chairman

Company Profile

History

Over the years ITL Limited and Controlled Entities (“ITL”) have grown from a small privately owned research and development venture into a multi-million dollar, publicly listed company manufacturing and supplying products into the Australian and global healthcare markets.

ITL’s growth has been realised through increased sales of the company’s core products supplied into the global blood banking market and also through the acquisition of an established operating entity in Australia. The company now has a diverse portfolio of business spreading risk and opportunity across a broad range of products and markets.

Innovative Products Group

ITL’s Innovative Products Group designs, manufactures, markets and distributes a range of biological safety sampling devices for the global healthcare markets.

IPG capabilities and expertise include development and commercialization of new patented products from initial concept through to sales. The group is located across three continents to leverage the unique geographical advantages of each area:

- Management and new product development is based in Australia;
- Manufacturing and tool making is based in Malaysia. Our manufacturing facility is TUV accredited, Quality Management System is ISO 13485: 2003 certified and, the Environmental Management System is ISO 14001: 2004 certified. Products include FDA 510K and/or CE mark as necessary.
- Sales and marketing is based in North America where our largest customers and markets are located.

IPG distributes predominantly its own proprietary range of products and has an extensive Intellectual Property portfolio including a healthy pipeline of new patents, trademarks and designs. IPG’s customer base includes some of the largest multinational healthcare suppliers in the world.

IPG is focused on providing year on year profit growth and leveraging its extensive and proven product commercialization resources to expand its product range and penetration in the global market.

Healthcare Australia

Healthcare Australia is an Australian healthcare company that provides medical and surgical solutions to suit the individual needs of both public and private hospitals throughout Australia. Our goal is to provide quality innovative products that make healthcare professional’s jobs easier whilst still providing best practice efficiencies and cost effectiveness.

HCA has three core product areas; Customised Procedure Packs, Catheter Laboratory kits and Invasive Pressure Monitoring kits which consist of products that have been created in consultation with Australian healthcare practitioners for the Australian market.

HCA’s unique point of difference is a state of the art ethylene oxide steriliser and class 8 clean room assembly facility which enables HCA to pursue other potential areas for strong growth including OEM manufacturing of kits.

Corporate Governance Statement

Overview:

The Board of Directors understands, promotes and is responsible for good governance within the consolidated ITL group of companies.

In accordance with its charter, the Board guides and monitors the business and affairs of ITL on behalf of the Company's members and other stakeholders to whom it is accountable. In doing so, a philosophy and strategy of continuous improvement in governance performance is nurtured.

The Company's website www.itl-limited.com includes a Corporate Governance section which contains ITL's Code of Conduct, the Board Charter and the Audit & Risk Management Committee Charter.

1. Lay solid foundations for management and oversight

The Board is responsible for setting and reviewing the strategic direction of ITL and monitoring the implementation of that strategy by Executive Management, including:

- corporate governance
- promoting ethical and responsible decision making
- monitoring ITL's system of risk management and internal compliance and control
- monitoring legal compliance, safety and occupational health policies and corporate policies
- overseeing the ITL group of companies, including its control and accountability systems
- approving the annual operating budget and monitoring the operating and financial performance of ITL
- approving nominations of Directors to the Board and the appointment of key executives
- appointment and removal of the Chief Executive Officer and the Chief Financial Officer in addition to determining their remuneration
- monitoring the performance of the Chief Executive Officer and the Chief Financial Officer
- developing Board and Executive Management succession planning
- delegation of powers and authorities
- remuneration of auditors and the appointment or removal of auditors
- ensuring a clear relationship between performance and executive remuneration
- ensuring that Directors have a good understanding of the Company's business
- ensuring that the market and shareholders are fully informed of material developments.

Directors and executive management receive formal letters of appointment setting out the key terms, conditions and expectations of their appointment.

The Board has established an Audit and Risk Management Committee (see 4. below). The responsibility for the day to day management of the Company has been delegated to the Chief Executive Officer, who is responsible for recommending strategy to the Board and leading the executive management team.

During the 2013/2014 financial year, the Board met 12 times to review the Company's business activities and business plans. The Board also met with key executives to discuss ITL's key strategies.

The performance of the Board is not formally reviewed given its small size but the Chairman regularly reviews matters with individual Directors.

The performance of executives is measured against criteria agreed annually which is based on profit growth and working capital management. The policy is designed to attract the highest calibre executives and reward them for performance resulting in long term growth in shareholder value.

Senior executives are assessed against key performance indicators as required. Performance evaluation was undertaken for senior executives during the current reporting period.

The Company Secretary reports to the Chairman on all matters to do with the proper functioning of the

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Board. The Company Secretary also performs the role of Group Financial Controller in which case he reports to the Chief Financial Officer.

The Board has also formally adopted a Diversity Policy which can be found on ITL's website. This recognises the value contributed to an organisation by employing people with different life experience, work and educational experience, language, gender, nationality, personality profile, age, ethnicity, cultural background and work status. ITL commits to embedding diversity into its corporate culture, selection practices and recruitment, training and development and flexibility in work practices. In particular, the status of ITL's gender diversity and Board objectives are as follows:

Number and Proportion of Women in ITL Workforce	30 June 2014 Actual		Board Objective
	No.	%	%
Board	0	0	0-50
Senior Executive *	3	33	33-50
Total ITL	178	68	50-75

*Senior Executive is defined as persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly

2. Structure the Board to add value.

The Board considers that the Directors together have the range of skills, knowledge, diversity and experience necessary to enable them to effectively govern the business. The "Information on Directors" section of the Annual Report details the skills, experience and expertise of each Director, along with the period of office held by each individual.

William Mobbs	Executive Chairman (appointed 18 August 2010)	Non-Independent
Sanjay Sehgal	Non-Executive Director (appointed 18 August 2010) Chairman, Audit & Risk Management Committee	Independent
Andrew Turnbull	Non-Executive Director (appointed 31 December 2013)	Independent
Julian Gosse	Non-Executive Director (resigned 31 December 2013)	Independent

The Board considers each Director's independence on a case by case basis. It recognises that Mr. Mobbs does not meet the definition of independence but believes he is the most appropriate person to lead the Board as Executive Chairman. The Board considers he brings quality and independent judgment to all relevant issues and that the Company benefits from his long standing experience of its operations and business relationships.

The Company provides the necessary resources for developing and updating the knowledge and capabilities of its Directors. With the approval of the Chairman, the Directors may seek independent professional advice, at the expense of the Company, on any matter connected with the discharge of their responsibilities.

Directors commit to the collective decision making processes of the Board. Each Director must ensure that no decision or action is taken that places their interests before the interests of the business.

The Company is not of sufficient size or complexity to warrant a nominations committee. The Board has a Director Nomination, Selection and Induction Policy, which allows for the Board to include the engagement of a search firm if necessary to find a Director with skills that complement those of the existing Board members.

The Board is satisfied that the Chairman and each of the non-executive Directors committed sufficient time during the year to the fulfilment of their duties as Directors of the Company. None of the non-executive Directors has any conflict of interest which has not been disclosed to the Board in accordance with ITL's Constitution.

On appointment, individual Directors undergo an induction programme covering, amongst others, the

business of the Company, briefings from relevant executives and opportunities to visit business operations.

3. Promote ethical and responsible decision making

This statement of Corporate Governance, together with the Code of Conduct, guide the Board and management as to the practices necessary to maintain confidence in the Company's integrity and ethical practices. The Company has a Securities Dealing Policy which is designed to ensure proper dealing in ITL's securities.

4. Safeguard integrity in financial reporting

The Board has established an Audit and Risk Management Committee which:

- consists only of non-executive Directors
- consists only of independent Directors
- is chaired by an independent Chairman who is not the Chairman of the Board.

Because of the small size of the Board, the Committee comprises only two members:

Sanjay Sehgal	Chairman
Andrew Turnbull	Director (appointed 31 December 2013)
Julian Gosse	Director (resigned 31 December 2013)

The Audit and Risk Management Committee has a formal operating charter that can be found in the Corporate Governance Section of ITL's website. The Audit and Risk Management Committee meets at least four times each year.

In accordance with the Audit and Risk Management Committee charter, the Committee's responsibilities are to:

- oversee the existence and maintenance of internal controls and accounting systems
- oversee the financial reporting process and financial risk management process
- nominate external auditors
- review the existing external audit arrangements.

Each half year the Chief Executive Officer and the Chief Financial Officer state in writing to the Board that the financial records have been properly maintained, the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of ITL.

The Company's external auditor attends the Annual General Meeting either in person or by teleconference and is available to answer questions from shareholders relevant to the audit.

5. Make timely and balanced disclosure

The Board aims to ensure that shareholders have equal and timely access to material information concerning the Company. All announcements lodged with the ASX relating to financial results are included on ITL's website as soon as practicable after release to the ASX.

ITL Limited has a Continuous Disclosure Policy to ensure compliance with ASX Listing Rule disclosure requirements. This includes a consideration at each Board Meeting by all Directors that they have complied with ITL's Continuous Disclosure Policy, together with an ongoing obligation to advise the Company Secretary of any material non-public information arising in between Board Meetings.

A summary of the Company's Continuous Disclosure Policy can be found in the Corporate Governance section of ITL's website.

6. Respect the rights of shareholders

ITL has a Communications Policy which promotes effective communication with shareholders and encourages participation at general meetings. The website's Corporate Governance section includes copies of policies, procedures and charters, which are designed to enable compliance with ASX Corporate Governance Council Principles and Recommendations.

ITL Limited makes all ASX announcements relating to financial results available on its website.

Sources of Communication:

A. Company Website www.itl-limited.com

ITL's website contains comprehensive information about ITL, including shareholder communications.

B. ASX Announcements

All communications with the ASX are in accordance with the ASX Listing Rules. The Company Secretary is responsible for communications with the ASX.

C. Annual Report

The Annual Report contains key financial information about ITL, as well as important operating and corporate information.

All existing shareholders have the opportunity to be provided with a copy of the Annual Report. Electronic copies of the Annual Report are available via the ITL website.

Shareholders may also receive reports in an electronic format by contacting the Company Secretary.

D. General Meetings

Notices of general meetings and meeting agendas are first released to the ASX and then placed on the ITL website immediately following confirmation of receipt by the ASX. The notice of meeting is distributed to all shareholders prior to the AGM within the timeframe set by the Corporations Act.

The Company provides shareholders with explanatory notes that accompany the Agenda and Notice of Meeting.

ITL understands that not all shareholders are able to attend the meeting. A proxy form, allowing shareholders to appoint a proxy in the event they cannot attend the AGM, accompanies the Notice of Meeting distributed to all shareholders and shareholders have the opportunity to vote online.

All presentations made at the meeting are placed immediately on the Company's website, following confirmation of receipt by the ASX.

Shareholders are encouraged to attend the Company's Annual General Meeting and may ask questions about ITL's governance and business.

The Company's external auditor attends the Annual General Meeting either in person or by teleconference and is available to answer questions from shareholders relevant to the audit.

E. Half-Year and Full-Year Results

The financial results for the half-year ended 31 December are reported in February each year. The financial results for the full-year ended 30 June are reported in August each year.

As the Half-Year and Full-Year Results are announced to the ASX pursuant to the Listing Rules, they are made available to shareholders in the same manner as other ASX Announcements.

F. Investor Relations

A formal investor relations program has not been implemented given the small size of the Company. However, the Chairman meets each year with major shareholders, investors and brokers.

7. Recognise and manage risk

The Board is accountable for ensuring that effective risk management and compliance systems are in place to protect the Company's assets, and to ensure that ITL operates within legal and regulatory compliance and within acceptable risk and internal control parameters. These responsibilities have been encompassed in the role of the Audit and Risk Management Committee which met 4 times during the year.. This Committee reviews ITL's risk management annually based on reports and presentations from Business Unit and Corporate heads.

ITL's Risk Management Policy can be found in the Corporate Governance section of ITL's website. Its governing principles are:

- that risks to ITL's facilities, operations and services are proactively managed
- that risk management practices (specified in the risk management standard, AS/NZS ISO 31000:2009 Risk Management Principles and Guidelines) form the basis for ITL's risk management
- that changes to any aspect of ITL's business are assessed for risk.

ITL does not have material exposure to economic, environmental and social sustainability risks.

ITL does not have an internal audit function due to its small size. Senior finance and operational staff are responsible for evaluating and continually improving the effectiveness of risk management and internal control processes.

The Chief Executive Officer and the Chief Financial Officer make an annual written statement to the Board confirming a sound system of risk management and effective operation of internal controls.

8. Remunerate fairly and responsibly

Due to the small size of the Company and the Board of Directors, ITL does not have a Remuneration Committee. The Remuneration Policy, which sets out the terms and conditions for the Chief Executive Officer and other senior executives, was approved by the Board after seeking professional advice from an independent consultant.

The Board reviews executive packages annually by reference to the Company's performance and executive performance. Comparable information from industry sectors and other listed companies, as well as independent advice, is also taken into account.

The performance of executives is measured against criteria agreed annually which are primarily based on the growth in profit and working capital management.

The Board is also committed to ensuring that an appropriate long term incentive program is in place to align senior management to the long term goals of the Company. The Executive Share Plan (refer to Remuneration report) provides a vehicle for eligible employees to participate in the growth in value of ITL shares.

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The amounts of remuneration for all directors and key management personnel, including all monetary and non-monetary components, are detailed in the notes to the financial statements. All remuneration paid to executives is valued at the cost to the Company and expensed.

The payment of short and long term incentives is reviewed by the Board annually as part of the review of executive remuneration. All incentive payments are linked to predetermined performance criteria. The Board can exercise its discretion in relation to approving incentives, bonuses and share based payments.

Further details are set out in the Remuneration Report included in the Directors' Report.

Directors' Report

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2014.

Directors

The names of directors in office at any time during or since the end of the year are:

Executive director:

Mr William Mobbs Executive Chairman

Non-executive director:

Mr Sanjay Sehgal

Mr Andrew Turnbull (appointed 31 December 2013)

Mr Julian Gosse (resigned 31 December 2013)

Principal Activities

The principal activities of ITL during the financial year were:

- Development, manufacture, distribution and sale of innovative medical devices
- Manufacture, distribution and sale of medical procedure packs

There were no significant changes in the nature of ITL's principal activities during the financial year.

Dividends Paid or Recommended

A final fully franked dividend for the financial year ended 30 June 2013 of 0.75 cents per share was paid 2 September 2013

An interim fully franked dividend for the financial year ended 30 June 2014 of 0.5 cents per share was paid 3 March 2014 (2013: 0.5 cents per share).

Since the end of the financial year the Board has declared a final fully franked dividend of 0.5 cents per share paid 2 September 2014.

Review and Results of Operations

2013/14 was a year of consolidation and investment for the future so as to position the ITL Group for enhanced profitability going forward.

Profit after tax for the consolidated Group for the year ended 30 June 2014 was \$2.02m, which was \$0.44m or 18% below the prior year 2012/13 profit of \$2.46m.

Earnings per share for the year ended 30 June 2014 was 2.41 cents compared with the prior year outcome of 2.54 cents per share. This included the benefit from active capital management with the ongoing share buyback.

Income tax expense was \$0.1m (2013: nil) with nil tax payable in Australia due to brought forward tax losses from prior years.

Profit before tax was \$2.1m (2013: \$2.5m). This reflected a 4% increase in revenue which resulted in an increase of \$0.3m in Gross Profit. This was offset by a \$0.7m or 8% increase in expenses arising from increased staff costs P (due to stronger USD & MYR and to support growth), higher premises costs and higher funding costs.

Directors' Report

Revenue was \$25.9m (2013:\$24.9m). Innovative Products Group revenue increased 15% to \$11.0m due to the stronger US dollar and increased sales to Australian customers. Healthcare Australia revenue decreased 3% to \$14.9m reflecting changes in sales mix and competitive pressures.

Earnings Before Interest, Tax, Depreciation & Amortisation (EBITDA)* for the year ended 30 June 2014 was \$3.2m (2013: \$3.5m). The reconciliation between Profit before tax and EBITDA is as follows:

\$'000	2014	2013
Profit before Income Tax	2,076	2,453
Add back/(deduct):		
Depreciation and amortisation expense	911	957
Interest Expense	251	93
Interest Income	(3)	(2)
EBITDA	3,235	3,501

Group Operating Cashflow for the year ended 30 June 2014 was \$3.3m (2013: \$4.6m). This reduction reflected the lower cash profit and growth in working capital to support business growth. This operating cash generation, together with increased borrowings, was used to fund \$2.2m in relation to the ongoing share buyback (2013: \$6.0m), dividends of \$1.1m (2013:\$0.5m) and capital expenditure of \$2.3m (2013:\$0.4m). The latter primarily related to the acquisition and expansion of the new medical device factory at Bemban in Malaysia.

A fully franked interim dividend of 0.5 cents per share was paid and a fully franked final dividend of 0.5 cents per share declared in respect of the financial year ended 30 June 2014.

The net debt position was \$3.6m at 30 June 2014 (2013: \$1.3m). The Group's gearing, measured as net debt as a percentage of net debt plus equity, was 26% (2013: 11%).

*The Directors believe that EBITDA as a non-IFRS profit measure is useful to investors as it provides further information on the company's underlying profitability. EBITDA has been audited.

Strategy and Outlook

New sales opportunities continue to be successfully pursued. Healthcare Australia is now supplying W.A. public hospitals with increasing volumes of intravenous cannula insertion packs. As a supplier of custom sterile packs, Healthcare Australia is also progressively increasing its market share in NSW public hospitals. In addition, the Innovative Products Group has a number of well advanced new business opportunities.

The Group has also launched a major initiative to reduce costs through outsourcing of basic operations from Australia to Malaysia and improved sourcing of key raw materials from Asia.

Innovative Products Group's Malaysian manufacturing company's quality system was inspected by the US Food and Drug Administration (FDA) in April 2014. The FDA is known for its thorough inspections and very high standards and this was the first time our manufacturing facility has been inspected despite supplying products into the US market for in excess of 10 years. The audit was passed successfully with no significant findings.

In December 2013, ITL completed the acquisition for \$1.3m of an existing modern medical device factory with clean rooms at Bemban in Malaysia. Our existing facilities at Lahat are significantly space constrained and relocation to this substantially larger facility will provide a long term solution for the expansion plans of the Innovative Products Group. The overall Group will also benefit through the planned transfer of some business from Healthcare Australia to this new Malaysian facility.

The expansion and renovation of this new Malaysian facility at a cost of approximately \$2.0m is progressing well. Completion and relocation from the existing facility is planned for the end of this calendar year.

Directors' Report

Funding for this capital expenditure and working capital growth is being provided by ongoing operating cash flow generation together with increased term loan funding facilities of \$1.65m which have been approved by the Group's banks.

On 27 June 2014 a Sale & Purchase Agreement (subject to regulatory approvals) was executed by ITL Asia Pacific Sdn Bhd for the sale of the existing leasehold land and buildings at Lahat in Malaysia for a sale price of \$1.3m. Completion is scheduled by the end of this calendar year and funds will substantially be used to pay down existing debt in Malaysia.

Significant Changes in State of Affairs

At the Annual General Meeting of the company held on 31 October 2013, it was resolved that ITL Limited authorise and approve the buyback of up to 20% of the issued ordinary shares through on market buy-backs. Based on the number of shares outstanding at the close of 30 October 2013 of 83,461,595 the maximum amount of the buyback over the next 12 months is 16,692,319 shares.

On 27 December 2013, ITL Limited, through its wholly owned subsidiary ITL Asia Pacific Sdn Bhd, completed settlement for its acquisition of long term leasehold land with an existing modern medical device factory including clean rooms at Bemban in Perak, Malaysia. Total consideration was \$1.3m (RM4.025m) which was funded with a 10 year bank term loan and existing bank facilities.

A major project to expand and renovate this newly acquired Malaysian facility at a cost of approximately \$2.0m is scheduled for completion by the end of this calendar year. This is being funded with a second 10 year bank term loan and existing bank facilities

On 27 June 2014 a Sale & Purchase Agreement (subject to regulatory approvals) was executed for the sale of the existing leasehold land and buildings at Lahat in Perak, Malaysia for a sale price of \$1.3m (RM4.0m). Completion is planned by the end of this calendar year and funds will substantially be used to pay down existing debt in Malaysia.

Events After Balance Sheet Date

On 14 August 2014, 2,856,500 ordinary shares were issued to key management personnel under the Executive Share Plan at an issue price of \$0.20 for payment of 2014 financial year bonuses and full 2015 financial year salaries and fees. This price was determined by the Board based on recent market prices for ITL shares. In line with accounting standard AASB 2 Share-based payments, this share issue will be reflected in the accounts at fair value which is the market price of ITL shares of \$0.205 on the grant date of 14 August 2014.

On 14 August 2014, ITL Limited declared a fully franked final dividend of 0.5 cents per share with payment made 2 September 2014.

At the close of 15 September 2014, 194,086 ordinary shares have been bought back since 30 June 2014 at a cost of \$38,817 and cancelled. These shares were all acquired at a price of \$0.20. Issued capital at the close of business on 15 September 2014 is 85,422,721 ordinary shares.

There has not been any other matter or circumstance in the interval between the end of the year and the date of this report that has materially affected or may materially affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial periods.

Directors' Report

Future Developments, Prospects and Business Strategies

The ITL group has two business units which operate in different geographic regions with different product groupings to take advantage of these markets. Each business unit has been working on a pipeline of opportunities which are expected to lead to growth in the future. ITL believes that it has the infrastructure and resources to support this growth.

Quality and Environment

ITL's quality management systems for its Australian and Malaysian manufacturing facilities are certified to the ISO 13485:2003. In addition the Group's Malaysian manufacturing facility is certified to the Environmental Management System ISO 14001:2004. The consolidated group is subject to the environmental laws of the countries in which they operate.

The management of environmental risks and compliance with environmental laws is regarded as a key issue. The company monitors compliance with existing and new environmental regulations as they come into force.

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

Directors' Report

Information on Directors

William Mobbs	-	Executive Chairman (appointed as Director 18 August 2010 and as Executive Chairman 12 October 2010)
Qualifications	-	MBA, BSc, FAICD
Experience and Directorships held in other listed entities	-	<p>Mr Mobbs is a co-founder of the ITL Group and brings over 20 years' experience in the medical and healthcare industry. Mr Mobbs has invented many new concepts for a range of innovative medical products and holds many patents.</p> <p>He is a currently Chairman of MyHealthTest Pty Ltd and a director of Targeted Genomics Pty Ltd and not-for-profit Hospital IP – ACT, Hospital IP – NSW and Hospital IP – Qld.</p> <p>Mr. Mobbs is a former chairman of London AIM listed Seeing Machines Limited and of Admin Bandit and a former director of Connexion Business Solutions, as well as a former industry representative to the Therapeutic Goods Administration.</p>
Interest in Shares and Options	-	<p>Shares: 32,997,746 (as at 2/9/2014)</p> <p>Options: Nil</p>
Special Responsibilities	-	Executive Chairman

Sanjay Sehgal	-	Non-Executive Director (appointed 18 August 2010)
Experience and Directorships held in other listed entities	-	<p>Sanjay Sehgal is a founder and Managing Partner & CEO of East West Capital Partners, a healthcare-focused private equity and corporate finance advisory firm based out of Singapore, Malaysia, India, London and the US.</p> <p>Prior to EWCP, Sanjay was a Partner and member of the investment committee at Symphony Capital Partners (Asia) (f.k.a Schroder Capital Partners) which managed in excess of US\$860 million. Sanjay has served as the elected Hon. Treasurer and Hon. Secretary of the Singapore Venture Capital and Private Equity Association.</p> <p>He is a member of the steering committee of a Danish oncology drug delivery company and a Board member of a US stem cell research company and a UK medtech company. Sanjay also advises several multinational firms on their Asia strategy.</p> <p>Sanjay obtained his B.Tech degree in Electrical Engineering from the Indian Institute of Technology, Bombay and his Master of Science (M.S.) from Columbia University, New York. He received his MBA, with distinction, in finance and multinational management from The Wharton School of the University of Pennsylvania.</p>
Interest in Shares and Options	-	<p>Shares: 2,932,550 (as at 2/9/2014)</p> <p>Options: Nil</p>
Special Responsibilities	-	Chairman of Audit and Risk Management Committee

Directors' Report

Andrew Turnbull	-	Non-Executive Director (appointed 31 December 2013)
Experience and Directorships held in other listed entities	-	Andrew Turnbull is an entrepreneur with extensive experience in establishing and expanding businesses. As founder and CEO of Canberra's largest accounting firm, Walter Turnbull, Andrew oversaw the growth and eventual sale of the company over an 18 year period rising to employ more than 300 staff, 18 partners and offices in Sydney, Melbourne and Darwin. Upon the acquisition of Walter Turnbull by PwC Andrew took over as Managing Partner at PwC for Canberra and was responsible for culture, systems, process and client integration with responsibility for 350 employees and 15 partners servicing a diverse range of government and private customers. Since leaving PwC, Andrew has started a new business Greenlight Super and is currently on a number of corporate and community boards.
Interest in Shares and Options	-	Shares: 2,991,752 (as at 2/9/2014) Options: Nil
Special Responsibilities	-	Member of Audit and Risk Management Committee

Julian Gosse	-	Non-Executive Director (resigned 31 December 2013)
Experience and Directorships held in other listed entities	-	Board member since 2003, appointed Chairman 1 January 2005 and resigned as Chairman 12 October 2010. Mr Gosse has extensive experience in banking and broking both in Australia and overseas having worked in London for Rowe and Pitman, in the United States for Janney Montgomery and Scott and in Canada for Wood Gundy.
Interest in Shares and Options	-	Shares: Nil (as at 11/9/2014) Options: Nil
Special Responsibilities	-	Member of Audit and Risk Management Committee

Company Secretary

The Company Secretary at the end of the financial year is Mr. Trevor Doolan. Trevor was appointed as Company Secretary on 19 June 2012. Trevor joined ITL in November 2010 and has been an accountant for over 30 years. He is a member of CPA Australia and holds a Certificate in Governance Practice.

Directors' Meetings

During the financial year 12 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit & Risk Management Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
William Mobbs	12	12	-	-
Sanjay Sehgal	12	12	4	4
Andrew Turnbull	5	5	2	2
Julian Gosse	7	6	2	1

Directors' Report

Remuneration Report (audited)

This remuneration report for the year ended 30 June 2014 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

For the purposes of this report, the term "executive" includes the Chief Executive Officer (CEO), executive directors, senior executives, general managers and company secretaries of the Parent and the Group, and all are classified as Key Management Personnel.

Key Management Personnel

Details of key management personnel are set out below.

Directors

William Mobbs	Executive Chairman
Sanjay Sehgal	Director (non executive)
Andrew Turnbull	Director (non executive) (appointed 31 December 2013)
Julian Gosse	Director (non executive) (resigned 31 December 2013)

Executives

David Holden	Chief Financial Officer
Narinder Kanda	General Manager Healthcare Australia
Craig Wilson	General Manager Innovative Products Group
Stephanie Norrell	Vice President Sales & Marketing North America
Trevor Doolan	Company Secretary & Group Financial Controller

There were no changes to Key Management Personnel after the reporting date and before the date the financial report was authorized for issue.

Remuneration Policy

The remuneration policy of ITL Limited has been designed to align executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering short and long-term incentives based on key performance areas affecting the consolidated group's financial results. The board of ITL Limited believes the remuneration policy is appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the consolidated group, as well as create goal congruence between the directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the consolidated group is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the board after seeking professional advice from independent external consultants.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits (where stated), performance incentives and are eligible to participate in the Executive Share Plan.
- The board reviews executive packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

Directors' Report

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on growth of profit. All bonuses and incentives are linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives, bonuses and share based payments. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre executives and reward them for performance that results in long-term growth in shareholder wealth.

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

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. It is currently \$300,000 per annum. Non executive directors are paid a base fee annually and fees are not linked to the performance of the consolidated group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company.

To ensure the Board is fully informed when making remuneration decisions, it seeks external remuneration advice. Reward & Recognition Consulting Pty Ltd was appointed as independent advisors and made recommendations on the remuneration of KMP. This included market data on KMP remuneration and advice on market trends. Total consideration paid for all these services was \$3,000. The Board is satisfied that remuneration recommendations were free from undue influence by any members of the KMP to whom the recommendations related based on the independence of the appointed remuneration consultant. Further, the consultant makes a declaration to the Board that they operated independently of any ITL KMP and at no time received any advice or direction about the content and structure of their report.

Performance Based Remuneration

As part of each executive's remuneration package there is a performance based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence *between executives with that of the shareholders. The KPIs are set annually, with consultation with* executives to ensure buy-in. The measures are specifically tailored to the areas each executive is involved in and has a level of control over. The KPIs target future growth and profitability of the group, covering financial and non-financial as well as short and long-term goals.

Performance in relation to the KPIs is assessed annually by the Board to determine if any executives have qualified for bonuses, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the board in the light of the desired and actual outcomes, and their efficiency is assured in relation to the group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, ITL bases the assessment on audited figures. In certain exceptional circumstances, the board may take account of other factors impacting on the year's results as well as the extent to which other business objectives have been achieved.

Final bonuses in respect of any year are paid early in the next year following the finalisation of the audited accounts. Bonuses are ultimately dependent on performance of the consolidated group and are at the discretion of the Board. The maximum cash bonuses available to the KMP for the 2013 financial year have been determined at \$142k. Where the performance conditions are not met the minimum amount of bonuses may be nil. Bonuses are fully vested in the financial year they pertain to.

Executive management are encouraged to have at least 50% of any performance incentive paid in ITL shares. There have been no other conditions attached to the shares issued for the 2013 and 2014 incentives.

Directors' Report

For the year ended 30 June 2014, short term performance based bonuses were awarded to the key management personnel. These were primarily the result of partly meeting targets for operating cash flow generation and growth in profit by the Innovative Products Group. At this stage a long term incentive plan has not yet been put in place.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The following table shows the gross revenue, profit, share price and dividends for the prior four years for the listed entity.

	2010	2011	2012	2013	2014
Revenue	\$40.9m	\$40.7m	\$30.6m	\$24.9m	\$25.9m
Profit/(loss) after Tax	(\$12.9m)	\$0.9m	\$1.3m	\$2.5m	\$2.0m
Profit/(loss) before Tax	(\$14.0m)	\$1.2m	\$1.6m	\$2.5m	\$2.1m
Share Price at year-end	\$0.057	\$0.070	\$0.195	\$0.30	\$0.21
Dividends Paid (per share)	Nil	Nil	Nil	\$0.005	\$0.0125

Executive Share Plan

The Executive Share Plan ("ESP") was approved at the 18 November 2011 Annual General Meeting for the three year period to 17 November 2014. Under the ESP, and following renewed approval at the 31 October 2013 Annual General Meeting, shares may be issued to Executives and Directors in lieu of part or all of their annual remuneration including bonuses. Conditions attached to the issue of shares, if any, are determined at the time of issue by the Board.

On 12 August 2013, 2,810,294 ordinary shares were issued under the ESP at an issue price of \$0.233 in settlement of both final bonuses for the 2013 financial year and for payment of 2014 financial year salaries and fees. This price was determined as the volume weighted average market prices of ITL shares during the preceding 12 month period. In line with accounting standard AASB 2 Share-based payments, this share issue is reflected in the accounts at fair value which is the market price of ITL shares of \$0.285 on the grant date of 12 August 2013.

On 1 November 2013, 656,526 ordinary shares were issued under the ESP at an issue price of \$0.263 for payment of 2014 financial year salaries and fees. This price was determined as the volume weighted average market prices of ITL shares during the preceding 12 month period. In line with accounting standard AASB 2 Share-based payments, this share issue is reflected in the accounts at fair value which is the market price of ITL shares of \$0.300 on the grant date of 1 November 2013.

There were no further conditions applied to these share issues.

Total expenses arising from share based payments recognised during the period as part of Salaries and Employee Benefits Expense were as follows:

	2014 \$000's	2013 \$000's
Shares issued under ESP	607	530
Shares to be issued under ESP (Share Based Payment Reserve)	-	222
	<hr/> 607	<hr/> 752

Directors' Report

Key Management Personnel Remuneration

The remuneration for each director and the key management personnel of the consolidated and parent entities considered key to the operations during the year are listed in the table below:

2014	Short Term Benefits			Post Employ- ment	Long Term Benefits	Share based payments		Total	Perf. Related
\$	Cash Salaries & fees	Cash Bonus	Non Monetary Benefits	Superannuation	Long Service Leave	2013/14 Salary & Fees (a)	2013/14 Bonus (a)		%
Directors									
W Mobbs	-	-	-	-	-	148,125	-	148,125	-
S Sehgal	32,500	-	-	-	-	53,510	-	86,010	-
A Turnbull	36,000	-	-	-	-	-	-	36,000	-
J Gosse	39,000	-	-	-	-	-	-	39,000	-
Total Directors	107,500	-	-	-	-	201,635	-	309,135	-
Other KMP									
W Mobbs	-	-	-	-	-	311,373	70,898	382,271	18.5
D Holden	82,800	-	-	-	-	102,887	24,660	210,347	11.7
S Norrell #	260,256	-	10,521	7,616	-	-	18,860	297,253	6.3
N Kanda	224,256	-	-	20,744	6,740	-	5,125	256,865	2.0
C Wilson	245,000	-	-	-	-	-	21,578	266,578	8.1
T Doolan	146,453	5,000	-	13,547	2,628	-	-	167,628	3.0
Total Other KMP	958,765	5,000	10,521	41,907	9,368	414,260	141,121	1,580,942	9.2
Totals	1,066,265	5,000	10,521	41,907	9,368	615,895	141,121	1,890,077	7.7

(a) The Executive Share Plan ("ESP") was approved at the 18 November 2011 Annual General Meeting for the three year period to 17 November 2014. Under the ESP, and following renewed approval at the 31 October 2013 Annual General Meeting, shares may be issued to Executives and Directors in lieu of part or all of their annual remuneration including bonuses. The issue price was determined as the volume weighted average of ITL prices during the 12 month period preceding the issue date. Details of the Salaries & Fees and Bonuses where the relevant KMP has elected to receive share based payments rather than cash payments are as follows:

	\$ Cash Foregone	Shares Issued	\$ Fair Value
Salaries & Fees			
W Mobbs (Chairman)	125,000	545,252	148,125
W Mobbs (CEO)	250,000	1,180,258	311,373
D Holden	86,250	380,263	102,887
S Sehgal	45,500	182,550	53,510
Total Salaries & Fees	506,750	2,288,323	615,895
Bonuses			
W Mobbs	69,000	345,000	70,898
D Holden	24,000	120,000	24,660
S Norell	18,400	92,000	18,860
N Kanda	5,000	25,000	5,125
C Wilson	21,000	105,000	21,578
Total Bonuses	137,400	687,000	141,121

These are Australian dollar equivalents of payments in foreign currencies based on the average exchange rate for the year.

Directors' Report

2013	Short Term Benefits			Post-Employment	Long Term Benefits	Share Based Payment-Shares			Total	Perf. Related %
\$	Cash Salaries & fees	Cash Bonus	Non Monetary Benefits	Superannuation	Long Service Leave	2011/12 Bonus (b)	2012/13 Salary & Fees (a)	2012/13 Bonus (a)		
Directors										
W Mobbs	-	-	-	-	-	-	150,781	-	150,781	-
S Sehgal	78,000	-	-	-	-	-	-	-	78,000	-
J Gosse	66,000	-	-	-	-	-	-	-	66,000	-
Total Directors	144,000	-	-	-	-	-	150,781	-	294,781	-
Other KMP										
W Mobbs	-	-	-	-	-	9,694	301,563	129,531	440,788	31.6%
D Holden	102,575	-	-	-	-	7,845	32,385	67,257	210,062	35.8%
N Kanda	211,009	-	-	18,991	3,652	9,502	-	19,020	262,174	10.9%
C Wilson	235,000	-	-	-	-	23,100	-	4,275	262,375	10.4%
S Norrell #	211,571	-	9,356	6,305	-	15,563	-	4,275	247,070	8.0%
T Doolan	142,354	-	-	12,812	656	-	-	16,391	172,213	9.5%
Total Other KMP	902,509	-	9,356	38,108	4,308	65,704	333,948	240,749	1,594,682	19.2%
Totals	1,046,509	-	9,356	38,108	4,308	65,704	484,729	240,749	1,889,463	16.2%

(a) The Executive Share Plan ("ESP") was approved at the 18 November 2011 Annual General Meeting for the three year period to 17 November 2014. Under the ESP, and following renewed approval at the 31 October 2013 Annual General Meeting, shares may be issued to Executives and Directors in lieu of part or all of their annual remuneration including bonuses. The issue price was determined as the volume weighted average of ITL prices during the 12 month period preceding the issue date. Details of the Salaries & Fees and Bonuses where the relevant KMP has elected to receive share based payments rather than cash payments are as follows:

	\$ Cash Foregone	Shares Issued	\$ Fair Value
Salaries & Fees			
W Mobbs (Chairman)	125,000	781,250	150,781
W Mobbs (CEO)	250,000	1,562,500	301,563
D Holden	26,400	138,076	32,385
Total Salaries & Fees	401,400	2,481,826	484,729
Bonuses			
W Mobbs	104,000	446,352	129,531
D Holden	54,000	231,760	67,257
N Kanda	15,550	66,738	19,020
C Wilson	n/a	15,000	4,275
S Norrell	n/a	15,000	4,275
T Doolan	13,400	57,511	16,391
Total Bonuses	n/a	832,361	240,749

(b) Share Based Payments relating to Bonus Payments in respect of the 2011/12 financial year. These amounts represent the difference between the market price and the issue price of shares issued on 24 August 2012 under the Executive Share Plan (see note (a) above) and relate to executives who elected subsequent to 30 June 2012 to receive shares rather than cash for part of their 2011/12 bonus entitlements.

This is the Australian dollar equivalent of payments in foreign currencies based on the average exchange rate for the year.

Directors' Report

Shareholdings of key management personnel

	Balance 1/7/2013	Received as Compensation	Net Change other*	Balance 30/6/2014
Directors				
William Mobbs	28,650,117	2,381,732	(476,103)	30,555,746
Sanjay Sehgal	4,000,000	182,550	(1,250,000)	2,932,550
Andrew Turnbull	3,000,000	-	(8,248)	2,991,752
Julian Gosse	900,000	-	(900,000)	-
Executives				
David Holden	565,494	700,112	(631,942)	633,664
Narinder Kanda	602,906	66,738	-	669,644
Craig Wilson	1,472,542	16,500	-	1,489,042
Stephanie Norrell	1,972,750	15,000	-	1,987,750
Trevor Doolan	-	57,511	-	57,511
Total	41,163,809	3,420,143	(3,266,293)	41,317,659

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

Options and Rights Holdings

There were no options or rights held by Key Management Personnel during the current and prior periods.

Loans to key management personnel

	Balance at beginning	Interest Charged	Interest not charged	Balance at end	Highest balance during period
William Mobbs	-	720	-	100,720	100,720

On 14 May 2014 ITL Limited entered in to a loan agreement with Mr W Mobbs Executive Chairman. The loan facility amount was \$150,000 of which \$100,000 was drawn down at 30 June 2014 with the balance of \$50,000 drawn down on 1 July 2014. Interest is payable at 7% p.a. and there was interest accrued of \$720 at 30 June 2014. The repayment date was 15 August 2014 which was subsequently extended to 13 August 2015. The loan is secured over future emoluments to be paid to Mr W Mobbs in his capacity of Executive Chairman.

Employment Contracts of Directors and Senior Executives

Remuneration arrangements for some KMP are formalized in employment agreements. Details of these contracts are provided below.

Craig Wilson, General Manager of Innovative Products Group, is employed under a Consultancy Agreement effective 1 July 2012 with his company Cocama Trading Pty Ltd (formerly known as ITL Design and Manufacturing Pty Ltd). The total consultancy fee is \$276,016 p.a., plus incentive based on performance. The consultancy fee included a salary to Craig Wilson of \$245,000 p.a. and general office expenses of \$31,016. Either party may terminate the contract by six months' notice.

Directors' Report

Narinder Kanda, General Manager Healthcare Australia, is employed under an ongoing contract effective 1 July 2011. Total fixed remuneration package is \$245,000 p.a. plus incentives based on performance. The notice period is three months or in the case of a takeover six months.

David Holden, Chief Financial Officer, is employed part time under an ongoing contract through his company Montague Corporate Services Pty Ltd commencing 2 August 2010. Remuneration is based on a daily rate plus incentives based on performance. The notice period is one month.

Stephanie Norrell, Vice President Sales & Marketing North America, is employed under an ongoing contract effective 28 October 2011. The remuneration package totals US\$245,000 and an annual bonus based on performance. Either party may terminate the contract by 6 months' notice.

Indemnifying Directors and Officers

The company has entered into Deeds of Access and Indemnity with all Directors and Officers. The group indemnifies each Director, maintains an insurance policy in favour of Directors and grants access to the records of the company.

During the year the company entered into a Deed of Access and Indemnity with the Independent director appointed 31 December 2013. The company has not given or issued any other new indemnities during the year or since the end of the financial year.

The company has paid premiums to insure all of the Directors and Officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the company or its subsidiaries, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was \$53,211 for all Directors and Officers.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Proceedings on Behalf of Company

No person has applied for leave to bring proceedings in Court on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

Non-Audit Services

The board of directors, in accordance with advice from the Audit and Risk Management Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that any services did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit and Risk Management Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

No non-audit services were provided by the external auditors during the year ended 30 June 2014.

Directors' Report

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 for the year ended 30 June 2014 has been received and is reproduced immediately following the Directors' Report.

Rounding of Amounts

The company is an entity to which ASIC Class Order 98/100 applies. The company has chosen to round to the nearest thousand dollars.

This report is signed in accordance with a resolution of the Board of Directors.



William Mobbs
Executive Chairman
Dated this 16th day of September 2014

Auditor's Independence Declaration



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Auditor's Independence Declaration to the Directors of ITL Limited

In relation to our audit of the financial report of ITL Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

James Palmer
Partner
16 September 2014

Consolidated Statement of Profit or Loss

for the year ended 30 June

	Note	30/06/2014 \$000's	30/06/2013 \$000's
Revenue	2	25,864	24,885
Cost of Sales		(14,354)	(13,659)
Gross Profit		11,510	11,226
Other income	2	101	67
Salaries and employee benefits expense		(6,252)	(5,747)
Depreciation and amortisation expense	3	(278)	(321)
Finance costs	3	(251)	(93)
Premises and office expenses		(1,013)	(902)
Travel and accommodation		(332)	(300)
Business insurance		(239)	(256)
Product registration & IP maintenance		(239)	(225)
Regulatory & QA costs		(136)	(127)
Other expenses from ordinary activities		(795)	(869)
Total Expenses		(9,535)	(8,840)
Profit before income tax expense		2,076	2,453
Income tax (expense)/benefit	4	(55)	5
Profit for the Year		2,021	2,458
Profit attributable to members of the parent		2,021	2,458
Earnings per Share	7		
Basic profit per share (cents per share)		2.41 cents	2.54 cents
Diluted profit per share (cents per share)		2.41 cents	2.54 cents

The accompanying notes form part of these financial statements

Consolidated Statement of Comprehensive Income

for the year ended 30 June

	Note	30/06/2014 \$000's	30/06/2013 \$000's
Profit		2,021	2,458
Other Comprehensive Income			
Items that may be reclassified subsequently to Profit or Loss			
Exchange differences on translating foreign operations		(206)	524
Income tax effect		-	-
		(206)	524
Items that will not be reclassified subsequently to Profit or Loss			
Fair Value Revaluation of Land & Buildings	13 (b)	(109)	-
Income tax effect		27	-
		(82)	-
Other comprehensive income for the period, net of tax		(288)	524
Total comprehensive income attributable to members of the parent		1,733	2,982

The accompanying notes form part of these financial statements

Consolidated Balance Sheet

as at 30 June

	Note	30/06/2014 \$000's	30/06/2013 \$000's
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	122	412
Trade and other receivables	9	3,791	3,417
Inventories	10	4,369	3,725
Other current assets	11	679	379
		8,961	7,933
Assets classified as held for sale	12	1,050	-
TOTAL CURRENT ASSETS		10,011	7,933
NON-CURRENT ASSETS			
Property, plant and equipment	13	4,835	4,008
Product tooling	14	431	1,029
Intangible assets	15	549	678
Deferred tax assets	18	1,383	1,395
TOTAL NON-CURRENT ASSETS		7,198	7,110
TOTAL ASSETS		17,209	15,043
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	16	2,410	1,491
Borrowings	17	2,430	1,450
Current tax liabilities	18	-	-
Short-term provisions	19	728	681
TOTAL CURRENT LIABILITIES		5,568	3,622
NON-CURRENT LIABILITIES			
Borrowings	17	1,273	250
Long-term provisions	19	373	372
TOTAL NON-CURRENT LIABILITIES		1,646	622
TOTAL LIABILITIES		7,214	4,244
NET ASSETS		9,995	10,799
EQUITY			
Issued capital	20	29,096	30,333
Foreign currency translation reserve	21	(1,186)	(980)
Share Based Payment Reserve	21	-	222
Asset revaluation reserve	21	48	448
Accumulated losses		(17,963)	(19,224)
TOTAL EQUITY		9,995	10,799

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

for the year ended 30 June

	Issued Capital \$000's	Share Based Payment Reserve * \$000's	Foreign Currency Translation Reserve \$000's	Asset Revaluation Reserve \$000's	Accum. Losses \$000's	Total \$000's
Balance at 1 July 2013	30,333	222	(980)	448	(19,224)	10,799
Profit for the period	-	-	-	-	2,021	2,021
Other comprehensive income	-	-	(206)	-	-	(206)
Total comprehensive income for the year	-	-	(206)	-	2,021	1,815
Transactions with owners in their capacity as owners:						
Transfer to retained earnings	-	-	-	(318)	318	-
Dividend Payment	-	-	-	-	(1,078)	(1,078)
Asset Revaluation Reserve	-	-	-	(82)	-	(82)
Share Buy-back	(2,228)	-	-	-	-	(2,228)
Transaction Costs	(7)	-	-	-	-	(7)
Share based payments	998	(222)	-	-	-	776
Balance at 30 June 2014	29,096	-	(1,186)	48	(17,963)	9,995
Balance at 1 July 2012	35,080	-	(1,504)	448	(21,217)	12,807
Profit for the period	-	-	-	-	2,458	2,458
Other comprehensive income	-	-	524	-	-	524
Total comprehensive income for the year	-	-	524	-	2,458	2,982
Transactions with owners in their capacity as owners:						
Dividend Payment	-	-	-	-	(465)	(465)
Share Buy-back	(5,631)	-	-	-	-	(5,631)
Transaction Costs	(21)	-	-	-	-	(21)
Share based payments	905	222	-	-	-	1,127
Balance at 30 June 2013	30,333	222	(980)	448	(19,224)	10,799

* refer to Note 20 (iv)

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

for the year ended 30 June

	Note	30/06/2014 \$000's	30/06/2013 \$000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before tax		2,076	2,453
Non-cash items:			
Depreciation & amortisation		911	957
Net loss on disposal of assets		17	24
Unrealised (gain)/loss on foreign currency transactions		(73)	35
Share based payments		776	1,070
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:			
(Increase)/decrease in trade and other receivables		(374)	143
(Increase)/decrease in other current assets		(300)	68
(Increase)/decrease in Inventories		(644)	374
Increase/(decrease) in trade and other payables		884	(531)
Increase in provisions		48	81
Income Tax Paid		(5)	(104)
Net cash flow from operating activities		3,316	4,570
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for product tooling and development		(82)	(141)
Payment for property, plant and equipment		(2,161)	(179)
Payment for intangible assets		(51)	(67)
Proceeds from the sale of property, plant and equipment		4	-
Net cash flow (used in) investing activities		(2,290)	(387)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		2,003	1,658
Payment for dividends		(1,078)	(465)
Payment for Share buyback		(2,235)	(5,983)
Net cash flow (used in) financing activities		(1,310)	(4,790)
NET (DECREASE) IN CASH HELD		(284)	(607)
Net foreign exchange differences		(6)	12
Cash at beginning of period	8	412	1,007
CASH AT END OF PERIOD	8	122	412

The accompanying notes form part of these financial statements

Notes to the consolidated financial statements

These financial statements cover the consolidated entity consisting of ITL Limited and its subsidiaries (“consolidated Group” or “Group”). ITL Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange. The financial statements are presented in Australian currency.

Note 1: Statement of Significant Accounting Policies

Statement of Compliance

In accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, the financial report complies with Australian Accounting Standards and International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*, and prepared for the purpose of presenting the consolidated entity as a for-profit entity.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets.

Material accounting policies adopted in the preparation of these financial statements are presented below. These have been consistently applied unless otherwise stated.

(a) Principles of Consolidation

A controlled entity is any entity over which ITL Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

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

Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(a) Principles of Consolidation (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

(b) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available.

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(b) Income Tax (continued)

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax rates and tax laws are based on applicable jurisdictions.

Tax Consolidation

ITL Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity.

The group has previously notified the Australian Taxation Office that it had formed an income tax consolidated group. The tax consolidated group has entered a tax funding arrangement whereby each company in the group contributes to the income tax payable by the group in proportion to their contribution to the group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

(c) Segment Reporting

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is specifically focussed on the operating businesses. These are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and services to different markets. The Group's reportable segments under AASB 8 are therefore as follows:

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(c) Segment Reporting (continued)

Innovative Products Group (“IPG”)

ITL’s Innovative Products Group designs, manufactures, markets and distributes a range of biological safety sampling devices for the global healthcare markets.

IPG capabilities and expertise include development and commercialization of new patented products from initial concept through to sales. The group is located across three continents to leverage the unique geographical advantages of each area:

- Management and new product development is based in Australia;
- Manufacturing and tool making is based in Malaysia. Our manufacturing facility is TUV accredited, Quality Management System is ISO 13485: 2003 certified and, the Environmental Management System is ISO 14001: 2004 certified. Products include FDA 510K and/or CE mark as necessary; and
- Sales and marketing is based in North America where our largest customers and markets are located.

IPG distributes predominantly its own proprietary range of products and has an extensive intellectual property portfolio including a healthy pipeline of new patents, trademarks and designs. IPG’s customer base includes some of the largest multinational healthcare suppliers in the world.

IPG is focused on providing year on year profit growth and leveraging its extensive and proven product commercialization resources to expand its product range and penetration in the global market.

Healthcare Australia (“HCA”)

Healthcare Australia is an Australian healthcare company that provides medical and surgical solutions to suit the individual needs of both public and private hospitals throughout Australia. Our goal is to provide quality innovative products that make healthcare professional’s jobs easier whilst still providing best practice efficiencies and cost effectiveness.

HCA has three core product areas; Customised Procedure Packs, Catheter Laboratory kits and Invasive Pressure Monitoring kits which consist of products that have been created in consultation with Australian healthcare practitioners for the Australian market.

HCA’s unique point of difference is a state of the art ethylene oxide steriliser and class 8 clean room assembly facility which enables HCA to pursue other potential areas for strong growth including OEM manufacturing of kits.

Corporate and other

The corporate and other costs consist of the Board of Directors and head office costs but are not classified as a reportable segment under AASB 8.

Transfer prices between business segments are set on an arms’ length basis in a manner similar to transactions with third parties. Segment revenue, expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

Information regarding the Group’s reportable segments is presented in note 29.

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

(e) Property, Plant and Equipment

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

Land and Buildings

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity, all other decreases are charged to the statement of comprehensive income.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment (including product tooling)

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount for these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with that item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, is depreciated on a straight line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold land (Malaysia only)	2%
Buildings	1-3%
Furniture & fittings	10 – 33.33%
Leasehold improvements	10 - 20%
Computer & office equipment	10 - 33.33%
Computer software	20 - 33.33%
Product development	5 - 20%
Product tooling	10 - 50%
Plant and equipment	5-20%

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(e) Property, Plant and Equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

(f) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the consolidated group, are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(g) Financial Instruments

Initial recognition and measurement

Financial assets and liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit and loss, in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- a. The amount at which the financial asset or financial liability is measured at initial recognition;
- b. Less principal repayments;
- c. Plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- d. Less any reduction for impairment.

The effective interest rate method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the profit or loss.

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired.

Financial Guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(g) Financial Instruments (continued)

Borrowings

Borrowings are initially recognised at fair value and net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(h) Impairment of Assets

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

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

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

(i) Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Patents and Trademarks

Patents and Trademarks are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. They are amortised over the lesser of the period in which their benefits are expected to be realised or the residual life of the patent or trademark between 10 to 20 years.

Research and Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Product development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Product development has a finite life and is amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(j) Foreign Currency Transactions and Balances

The following foreign exchange rates have been used in the preparation of the consolidated financial statements:

	30-Jun-14	30-Jun-13
Spot rate		
AUD/MYR	3.0247	2.8826
AUD/USD	0.9419	0.9133
Average rate for the year ended 30 June		
AUD/MYR	2.9550	3.1486
AUD/USD	0.9125	1.0261

Functional and presentation currency

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

Transactions and balances

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

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

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

Group Companies

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

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

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

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(k) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Equity-settled compensation

The group operates an equity-settled share-based payment employee share scheme. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Retirement Benefit Obligations

All employees of the group are entitled to benefits from the group's superannuation plan on retirement, disability or death. The defined contribution section receives fixed contributions from group companies and the group's legal or constructive obligation is limited to these contributions. The employees of the parent entity are all members of the defined contribution section of the group's plan.

(l) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(n) Revenue

Revenue from the sale of goods is recognised upon the dispatch of goods to customers.

Revenue is measured at the fair value of the consideration received. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Revenue is recognised when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the group. Estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement are used when determining whether revenue can be reliably measured.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(o) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(p) Goods and Services Tax (GST)

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

Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are included in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

(q) Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

(r) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(s) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(t) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(u) Earnings Per Share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(u) Earnings Per Share (continued)

(ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and;
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(v) Critical Accounting Estimates and Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) *Significant accounting judgements*

Recovery of deferred tax assets

A deferred tax asset has been recognised for deductible temporary differences and carried forward tax losses related to qualifying R&D expenditure. Management considers that it is probable that future taxable profits will be available to utilise these temporary differences and carried forward tax losses. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

At 30 June 2014 there were unused tax losses of \$3,842 thousand for which no deferred tax asset has been recognised. The potential tax benefit of \$1,153 thousand has not been recognised given the need to demonstrate ongoing profitability beyond the next 2 years.

Impairment of non-financial assets other than goodwill and indefinite life intangible assets

The group assesses impairment of all assets at each reporting date by evaluating conditions specific to the group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(v) Critical Accounting Estimates and Judgements (continued)

(ii) Significant accounting estimates and assumptions

Impairment of goodwill and intangibles with indefinite useful lives

The group determines whether goodwill and intangibles with indefinite useful lives are impaired at least at each reporting date. This requires an estimation of the recoverable amount of the cash-generating units, using a value-in-use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated.

(w) Fair value measurement

The Group measures financial instruments and non-financial assets at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 28.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Application of AASB 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(x) New and Revised Accounting Standards

The Consolidated Group has adopted the following new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are effective for the current annual reporting period. There is no impact on the Group's financial statements but AASB 2011-4 amends the presentation of information relating to Key Management Personnel.

AASB 10 *Consolidated Financial Statements* establishes a new control model that applies to all entities.

AASB 11 *Joint Arrangements* uses the principle of control in AASB 10 to define joint control.

AASB 12 *Disclosure of Interest in Other Entities* includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

AASB 13 *Fair Value Measurement* establishes a single source of guidance for determining the fair value of assets and liabilities and expands the disclosure requirements for all assets and liabilities carried at fair value.

AASB 119 *Employee Benefits* revises the accounting for defined benefit funds and the definition of short term employee benefits.

AASB 1053 *Application of Tiers of Australian Accounting Standards* establishes a differential financial reporting framework consisting of two tiers of reporting requirements.

AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures of offsetting Financial Assets and Financial Liabilities*.

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements for disclosing entities in relation to equity holdings, loans and other related party transactions*. This information is now contained within the Directors' Report.

AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle* sets out a range of amendments.

AASB 2012-9 *Amendments to AASB 1048 arising from the withdrawal of Australian Interpretation 1039*.

New standards and interpretations not yet adopted:

The following standards, which will become mandatory for the Consolidated Group's 30 June 2015 Financial Statements, have not been fully evaluated in terms of their impact on the financial statements but directors believe these standards will not have a material impact to the future Group's financial statements, but may impact disclosure:

AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* adds application guidance for AASB 132 Financial Instruments which will become mandatory for the Consolidated Group's 30 June 2015 Financial Statements. This has not been fully evaluated in terms of its impact on the Financial Statements but no material impact is anticipated.

AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* amends the disclosure requirements including those relating to fair value measurement.

AASB 2013-4 *Amendments to Australian Accounting Standards- Novation of Derivatives and Continuation of Hedge Accounting* amends AASB 139 regarding hedge accounting.

Annual Improvements to IFRS 2011-2013 Cycle sets out amendments not yet adopted by the AASB.

Notes to the consolidated financial statements

Note 1: Statement of Significant Accounting Policies (continued)

(x) New and Revised Accounting Standards (continued)

AASB 1031 *Materiality* is an interim standard that cross references to other standards that contain guidance on materiality.

AASB 2013-9 *Amendments to Australian Accounting Standards- Conceptual Framework, Materiality and Financial Instruments* contains three parts which make amendments to a number of standards and interpretations.

AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets. It will become mandatory for the Consolidated Group's 30 June 2019 Financial Statements. The Consolidated Group has not yet determined the potential effect of the standard.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation clarifies that revenue based methods are generally not appropriate. This amendment is not effective until 1 July 2016 and is not anticipated to have any impact on the Consolidated Group.

IFRS 15 *Revenue from Contracts with Customers* establishes principles for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Consolidated Group has not yet determined the potential effect of the standard.

Notes to the consolidated financial statements

	Note	2014 \$000's	2013 \$000's
Note 2: Revenue and Other Income			
Revenue			
Innovative Products Group (IPG)		11,005	9,544
Healthcare Australia (HCA)		14,859	15,341
Total Sales Revenue		25,864	24,885
Other Income			
Interest income		3	2
Other		98	65
Total Other Income		101	67
Total Income		25,965	24,952
Note 3: Operating Result for the Year			
Cost of Sales		14,354	13,659
		14,354	13,659
Depreciation of non-current assets*:			
Property, plant and equipment		645	500
Product tools		75	214
Total depreciation		720	714
Amortisation of intangible assets		191	243
Total Depreciation and Amortisation		911	957
Less: Depreciation and Amortisation included in Cost of Sales		(633)	(636)
Depreciation and amortisation expense		278	321
* Refer to Notes 13 & 14 regarding reclassification of assets			
Finance costs		251	93
Legal fees		104	53
Audit, accounting and taxation services		152	154
Share-based payments expense		118	752
Post-employment benefits expense:			
Total post-employment benefits expenses		511	453
Expensed to cost of goods sold		(175)	(157)
Post-employment benefits expense		336	296
Rental expense on operating leases:			
- minimum lease payments		511	495

Notes to the consolidated financial statements

	2014 \$000's	2013 \$000's
Note 4: Income Tax (Credit)/Expense		
a. The components of tax (benefit)/expense comprise:		
Current tax	654	906
Deferred tax	(501)	(913)
Over provision in respect of prior years	(98)	2
	<u>55</u>	<u>(5)</u>
b. Amounts charged or credited direct to equity		
Tax on other comprehensive income items	-	-
	<u>-</u>	<u>-</u>
c. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Profit/(Loss) before income tax	<u>2,076</u>	<u>2,453</u>
Prima facie tax payable/(benefit) on profit before income tax at 30% (2013: 30%)	623	736
Add:		
Tax effect of:		
- other non-allowable items	167	-
- share based payments	35	226
- non-deductible entertainment	1	1
- under provision for income tax in prior years	-	-
	<u>826</u>	<u>963</u>
Less:		
Tax effect of:		
- foreign tax rate adjustment	18	39
- other non-allowable items	-	71
- Over provision for income tax in prior years	98	2
- Utilisation of previously unrecognised tax losses	655	856
- Deferred tax asset not recognised	-	-
	<u>55</u>	<u>(5)</u>
Income tax (benefit)/expense	<u>55</u>	<u>(5)</u>
<i>The applicable weighted average effective tax rates are as follows:</i>	<i>2.7%</i>	<i>(0.2%)</i>

Notes to the consolidated financial statements

Note 4: Income Tax (Credit)/Expense (continued)

The consolidated group operates in a multi-jurisdictional tax environment which makes meaningful comparison of weighted average effective tax rates difficult.

	2014 \$000's	2013 \$000's
c. Unused tax losses for which no deferred tax asset has been recognised:	3,842	6,026*
Potential tax benefit @ 30%	1,153	1,808

* Revised to reflect amended 2012 and final 2013 Income Tax Returns

	2014 \$000's	2013 \$000's
Note 5 Auditor's Remuneration		
Amounts received or due and receivable by Ernst & Young for:		
An audit or review of the financial report of the entity and any other entity in the consolidated group	104	104
Amounts received or due and receivable by non Ernst & Young audit firms for:		
An audit or review of the financial report of the entity and any other entity in the consolidated group	-	-
	104	104

Notes to the consolidated financial statements

	2014 \$000's	2013 \$000's
Note 6: Dividends paid and proposed		
Declared and paid during the year:		
Dividends on ordinary shares:		
Interim fully franked dividend for 2014 0.5 cents per share (2013:0.5 cents per share)	419	465
Final fully franked dividend for 2013 0.75 cents per share (2012: nil)	659	-
Dividends paid	1,078	465
Declared after the year end:		
Final fully franked dividend for 2014 0.5 cents per share (2013:0.75 cents per share)	413	659
Balance of franking account at year end	455	917
Franking debits that will arise from the payments of dividends as at the end of the financial year	(177)	(283)
	278	634

Note 7: Earnings Per Share

The following reflects the earnings per share data used in the calculation of basic and diluted earnings per share (EPS) computations.

EPS is calculated based on:

Profit for the year	2,021	2,458
	000's	000's
Weighted average number of ordinary shares used in the calculation of basic EPS	84,001	96,936
Weighted average number of options outstanding	-	-
Weighted average number of ordinary shares used in the calculation of dilutive EPS	84,001	96,936

	2014 \$000's	2013 \$000's
Note 8: Cash and Cash Equivalents		
Cash on hand	1	2
Cash at bank	121	410
	122	412

The effective interest rate on short-term bank deposits was 0.1% (2013: 0.1%); these deposits are at call.

Notes to the consolidated financial statements

Note 9: Trade and other receivables

	2014 \$000's	2013 \$000's
Current		
Trade receivables	3,513	3,208
Allowance for impairment loss	(6)	(1)
Other receivables	283	209
Accrued revenue	1	1
	3,791	3,417

Credit Risk – Trade and other receivables

The group has no significant concentration of credit risk with respect to any single counter party or group of counter parties. The class of assets described as Trade and other receivables is considered to be the main source of credit risk related to the group.

The following table details the group's trade and other receivables exposed to credit risk with ageing analysis and impairment provided thereon. Amounts are considered 'past due' when the debt has not been settled, with the terms and conditions agreed between the group and the counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the group.

Neither the group nor the parent entity holds any trade or other receivables with terms that have been renegotiated, but which would have otherwise been past due or impaired.

	2014 \$000's	2013 \$000's
Trade Receivables Ageing Analysis		
Current	2,530	2,252
1 to 30 days	708	699
31 to 60 days	187	184
61 to 90 days	22	50
91 to 120 days	25	12
Over 120 days	41	11
Provisions for impairment	(6)	(1)
	3,507	3,207
Balances that are past due but not impaired	977	955

On a geographical basis the group has credit risk exposures in Australia, United States, United Kingdom and Puerto Rico arising from significant sales operations in each of the regions. The group's exposure to credit risk in those regions at the reporting date is as follows (expressed in Australian dollar equivalents): -

Australia	1,931	1,594
USA	719	635
United Kingdom	404	433
Puerto Rico	167	335
Other	286	210
	3,507	3,207

Notes to the consolidated financial statements

Note 9: Trade and Other Receivables (continued)

Provision for impairment of receivables

Current trade receivables are non-interest bearing and generally on 30 day terms. A provision for impairment is recognised when there is objective evidence that an individual receivable is impaired. Financial difficulties of the debtor, payment defaults or the commencement of debt recovery litigation have been considered to determine our impairment provision. These amounts have been included in the other expenses as an expense.

Movement in the provision for impairment of the receivable is as follows:

	2014 \$000's	2013 \$000's
Balance at 1 July	1	-
Amounts written off	-	-
Balance at 30 June	6	1

It is expected that all amounts that are past due will be received in full where an impairment provision has not been made against the balance.

Note 10: Inventories

	2014 \$000's	2013 \$000's
Current		
At lower of cost and net realisable value		
Raw materials and stores	1,814	1,858
Work in progress	186	178
Finished goods	2,369	1,689
	4,369	3,725

Note 11: Other current assets

Loan to Related Party*	101	-
Deposits to suppliers	171	35
Prepayments	407	344
	679	379

* Refer to Note 26 for details

Note 12: Assets classified as held for sale

Quantitative disclosure fair value measurement hierarchy for assets classified as held for sale as at 30 June:

	Fair value measurement using		
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Land and buildings held for sale 2014	-	1,050	-
Land and buildings held for sale 2013	-	-	-

On 27 June 2014 a Sale & Purchase Agreement (subject to regulatory approvals) was executed for the sale of the existing leasehold land and buildings at Lahat in Perak, Malaysia for a sale price of \$1.3m (RM4.0m). Completion is planned by the end of this calendar year and funds will substantially be used to pay down existing debt in Malaysia.

Notes to the consolidated financial statements

Note 13: Property, Plant and Equipment

	2014 \$000's	2013 \$000's
Land and buildings		
Land and buildings at valuation	1,234	1,235
Less: accumulated depreciation	(15)	(54)
Total land and buildings at valuation	1,219	1,181
Total land and buildings	1,219	1,181
Plant and equipment		
Furniture & fittings at cost	386	403
Less : accumulated depreciation	(331)	(328)
Total furniture & fittings	55	75
Computer & office equipment at cost	742	722
Less : accumulated depreciation	(609)	(586)
Total computer & office equipment	133	136
Plant & Equipment at Cost	5,874	-
Less : accumulated depreciation	(3,523)	-
Total Plant & Equipment at Cost	2,351	-
Leasehold improvements at cost	2,064	4,942
Less : accumulated depreciation	(1,543)	(2,326)
Total leasehold improvements	521	2,616
Construction in Progress	556	-
Total plant and equipment	3,616	2,827
Total property, plant and equipment	4,835	4,008

Notes to the consolidated financial statements

Note 13: Property, Plant and Equipment (continued)

(a) Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land and Buildings \$000's	Furniture and fittings \$000's	Computer and office equipment \$000's	Plant and Equipment \$000's	Leasehold improve- ments \$000's	Constructi on in Progress (c) \$000's	Total \$000's
Cost or Valuation							
At 1 July 2012	1,098	359	600	-	4,891	-	6,948
Additions	-	15	104	-	60	-	179
Exchange Differences	137	31	20	-	(9)	-	179
Disposals	-	(2)	(2)	-	-	-	(4)
At 30 June 2013	1,235	403	722	-	4,942	-	7,302
Additions	1,234	7	51	265	5	556	2,118
Reclassification*	-	-	-	5,756	(2,824)	-	2,932
Revaluation (b)	(133)	-	-	-	(56)	-	(189)
Exchange Differences	(44)	(13)	(10)	(138)	(3)	-	(208)
Disposals	-	(11)	(21)	(9)	-	-	(41)
Transfer+	(1,058)	-	-	-	-	-	(1,058)
At 30 June 2014	1,234	386	742	5,874	2,064	556	10,856
Accumulated Amortisation							
At 1 July 2012	25	283	531	-	1,924	-	2,763
Depreciation	24	22	42	-	412	-	500
Exchange Differences	5	24	15	-	(10)	-	34
Disposals	-	(1)	(2)	-	-	-	(3)
At 30 June 2013	54	328	586	-	2,326	-	3,294
Depreciation	41	22	50	299	233	-	645
Reclassification*	-	-	-	3,345	(1,010)	-	2,335
Revaluation (b)	(74)	-	-	-	(6)	-	(80)
Exchange Differences	2	(10)	(6)	(113)	-	-	(127)
Disposals	-	(9)	(21)	(8)	-	-	(38)
Transfer+	(8)	-	-	-	-	-	(8)
At 30 June 2014	15	331	609	3,523	1,543	-	6,021
Net Book Value							
30 June 2013	1,181	75	136	-	2,616	-	4,008
30 June 2014	1,219	55	133	2,351	521	556	4,835

*Plant and equipment has been reclassified from Leasehold Improvements and Product Tooling to provide more meaningful information

+ Transfer to assets classified as held for sale (see Note 12)

Notes to the consolidated financial statements

Note 13: Property, Plant and Equipment (continued)

(b) Revaluation

On 19 February 2014 the Board of ITL Asia Pacific Sdn Bhd resolved to revalue the existing leasehold land and buildings in Ipoh, Malaysia at RM3,200 thousand (\$1,058 thousand). This was based on a valuation indication obtained from DeOne Properties Sdn Bhd. Fair value for the assets was determined using the sales comparison approach. The key inputs under this approach are the price per square metre from the current financial year sales of comparable leasehold land and buildings in the area. The management considers this to be a Level 2 valuation based on significant observable valuation inputs. The resultant loss before tax of RM305k (\$109 thousand) was debited to the existing Asset Revaluation Reserve. These are held as assets classified as held for sale at 30 June 2014.

(c) Construction in Progress

Additions to Land and Buildings includes \$556 thousand relating to the expansion by ITL Asia Pacific Sdn Bhd of the newly acquired factory at Bemban in Malaysia.

	\$000's	\$000's
Note 14: Product Tooling		
Product tooling:		
At cost	917	3,794
Less : accumulated depreciation	(486)	(2,765)
Total product tooling	<u>431</u>	<u>1,029</u>

Movements in carrying amounts

Movement in the carrying amounts for product tooling between the beginning and the end of the current financial year:

Cost or Valuation	\$000's
At 1 July 2012	3,272
Additions	141
Exchange Differences	399
Disposals	(18)
At 30 June 2013	3,794
Additions	95
Exchange Differences	(37)
Disposals	(3)
Reclassification*	(2,932)
At 30 June 2014	917
Accumulated Amortisation	
At 1 July 2012	2,273
Amortisation	215
Exchange Differences	295
Disposals	(18)
At 30 June 2013	2,765
Amortisation	75
Exchange Differences	(18)
Disposals	(1)
Reclassification*	(2,335)
At 30 June 2014	486
Net Book Value	
30 June 2013	<u>1,029</u>
30 June 2014	<u>431</u>

*Plant and equipment has been reclassified from Leasehold Improvements and Product Tooling to provide more meaningful information

Notes to the consolidated financial statements

	2014 \$000's	2013 \$000's
Note 15: Intangible Assets		
Business development software at cost	1,246	1,262
Less: accumulated amortisation	(1,071)	(1,033)
	175	229
Patents, trademarks and licenses at cost	1,590	1,530
Less: accumulated amortisation	(1,321)	(1,292)
	269	238
Product development at cost	764	764
Less: accumulated amortisation	(659)	(553)
	105	211
	549	678

Intangible assets, other than goodwill, have a finite life. The current charges for intangible assets are included under depreciation and amortisation expense per the statement of comprehensive income.

Movements in carrying amounts

Movement in the carrying amounts for each class of intangible assets between the beginning and the end of the current financial year:

	Product Development \$000's	Business Development software \$000's	Patents, trademarks and licenses \$000's	Total \$000's
Cost or Valuation				
At 1 July 2012	764	1,208	1,522	3,494
Additions	-	35	32	67
Exchange Differences	-	26	-	26
Disposals	-	(7)	(24)	(31)
At 30 June 2013	764	1,262	1,530	3,556
Additions	-	1	80	81
Exchange Differences	-	(11)	-	(11)
Disposals	-	(6)	(20)	(26)
At 30 June 2014	764	1,246	1,590	3,600
Accumulated Amortisation				
At 1 July 2012	448	904	1267	2,619
Amortisation	105	106	32	243
Exchange Differences	-	24	-	24
Disposals	-	(1)	(7)	(8)
At 30 June 2013	553	1033	1292	2,878
Amortisation	106	54	31	191
Exchange Differences	-	(10)	-	(10)
Disposals	-	(6)	(2)	(8)
At 30 June 2014	659	1071	1321	3,051
Net Book Value				
30 June 2013	211	229	238	678
30 June 2014	105	175	269	549

Notes to the consolidated financial statements

	2014 \$000's	2013 \$000's
Note 16: Trade and Other Payables		
Current		
<i>Unsecured liabilities</i>		
Trade payables	990	728
Sundry payables and accrued expenses	1,420	763
	2,410	1,491
Note 17: Borrowings		
	2014 \$000's	2013 \$000's
Current		
<i>Secured liabilities</i>		
Bank overdraft	350	-
Bankers Acceptances	1,689	1,171
Bank loans	254	108
Non-bank finance - insurance	137	171
	2,430	1,450
Non Current		
<i>Secured liabilities</i>		
Bank loans	1,273	250
	1,273	250
Bank overdraft	350	-
Bankers acceptances	1,689	1,171
Bank loans	1,527	358
Non-bank finance - insurance	137	171
	3,703	1,700
The carrying amounts of assets pledged as security are:		
First mortgage		
Land and buildings	2,825	1,181
Other assets pledged as security	14,384	13,862
Total assets pledged as security	17,209	15,043

ITL Asia Pacific Sdn Bhd has bank overdraft, bankers' acceptances, term loan and other finance facilities including a bank guarantee equivalent to \$61,262 provided to a third party. These facilities are secured by registered 1st to 3rd legal charges over the company's factories at Lahat and Bemban in Malaysia, 1st to 9th debenture charges over both current & future fixed and floating assets of the company and parent entity corporate guarantees.

ITL Healthcare Pty Ltd has overdraft, term loan and other finance facilities from Commonwealth Bank of Australia. In addition there is a bank guarantee of \$185,000 that has been provided to a third party. These facilities are secured by cross guarantees and debenture charges from ITL Limited, ITL Corporation Pty Ltd and ITL Healthcare Pty Ltd.

Notes to the consolidated financial statements

Note 18: Tax Assets / (Liabilities)	2014 \$000's	2013 \$000's			
Current					
Income tax receivable	-	-			
Income tax payable	-	-			
Non-Current					
	Opening Balance \$000's	Charged to Income \$000's	Charged to Equity \$000's	Exchange Diffs. \$000's	Closing Balance \$000's
Deferred Tax Asset					
Property, Plant & Equipment	757	(75)	-	-	682
Future income tax benefits attributable to tax losses	-	-	-	-	-
Other	638	63	-	-	701
Balance at 30 June 2014	1,395	(12)	-	-	1,383
Property, Plant & Equipment	905	(148)	-	-	757
Future income tax benefits attributable to tax losses	-	-	-	-	-
Other	417	221	-	-	638
Balance at 30 June 2013	1,322	73	-	-	1,395

Note 19: Provisions	2014 \$000's	2013 \$000's
Short-term		
Employee benefits	728	681
Long-term		
Employee benefits	46	58
Make good provision	327	314
	373	372

Movement in the make good provision is as follows: -

	2014 \$000's	2013 \$000's
Balance at 1 July	314	305
Unwinding of provision	-	-
Discount rate adjustment	1	(1)
Increase in provisions	12	10
Balance at 30 June	327	314

Provision for long-term employee benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

Notes to the consolidated financial statements

	2014 \$000's	2013 \$000's
Note 20: Issued Capital		
a. Ordinary shares		
At beginning of reporting period	30,333	35,080
Share Buy back (i)	(2,228)	(5,631)
Transaction costs net of tax (ii)	(7)	(21)
Shares issued during the period (share based payments) (iii) (iv)	998	905
	29,096	30,333
	No. 000's	No. 000's
At beginning of reporting period	86,597	107,331
Share Buy back (i)	(7,303)	(25,500)
Shares issued during the period (share based payments) (iii)	3,466	4,766
	82,760	86,597

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on show of hands.

	30-Jun-14	30-Jun-13
(i) Buy back average price	\$0.305	\$0.221
Buy back price range	\$0.200-\$0.320	\$0.180-\$0.300
Total cost of buy back \$'000s	2,228	5,631
(ii) The transaction costs represent brokerage costs associated with the buy back.		
(iii) The Executive Share Plan ("ESP") was approved at the 18 November 2011 Annual General Meeting for the three year period to 17 November 2014. Under the ESP, shares may be issued to Executives and Directors in lieu of part or all of their annual remuneration including bonuses. The issue price was determined as the volume weighted average of ITL prices during the 12 month period preceding the issue date. Under the ESP there were two issues to key management personnel in 2013/14. These were recorded in the accounts at fair value which is the market price of ITL shares on the day of the issue. Details are as follows:		
• 24/8/2012 - issue price		\$0.160
- fair value		\$0.190
• 12/8/2013 - issue price	\$0.233	
- fair value	\$0.285	
• 1/11/2013 - issue price	\$0.263	
- fair value	\$0.300	
(iv) Shares issued of \$998,000 during year ended 30 June 2014 includes \$222,000 accrued at 30/6/13 as a Share Based Payments Reserve in respect of future planned share issues. The balance of \$776,000 is consistent with the number shown in the Statement of Cash Flows.		

Notes to the consolidated financial statements

Note 20: Issued Capital (continued)

b. Capital Management

Management control the capital of the group in order to maintain a sound debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manage the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

Taking into account available funding, projected cash flows and capital requirements, the Board obtained shareholder approval for and implemented an on-market share buyback. The Board considers that this is an effective means of returning any surplus capital to shareholders and will enable the company to maintain an efficient capital structure.

The gearing ratios for the year ended 30 June are as follows:

	Note	2014 \$000's	2013 \$000's
Total borrowings	17	3,703	1,700
Less cash and cash equivalents	8	(122)	(412)
Net debt		3,581	1,288
Total equity		9,995	10,799
Total Net Debt and Equity		13,576	12,087
Gearing ratio (Net Debt/Net Debt + Equity)		26%	11%

Note 21: Reserves

	Note	2014 \$000's	2013 \$000's
(a) Foreign Currency Translation Reserve			
At beginning of year		(980)	(1,504)
Foreign Currency translation differences		(206)	524
		(1,186)	(980)
(b) Asset Revaluation Reserve			
At beginning of year		448	448
Fair value revaluation of land and buildings		(82)	-
Transfer to Retained Earnings		(318)	-
		48	448
(c) Options Reserve			
At beginning of year		-	-
Cancellation of options		-	-
Transfer to retained earnings		-	-
		-	-
(d) Share based Payments Reserve			
At beginning of year		222	-
Share based payment recognised		-	222
Transfer to retained earnings		(222)	-
		-	222

Notes to the consolidated financial statements

Note 21: Reserves (continued)

Nature and purpose of reserves

(a) Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

(b) Asset Revaluation Reserve

The asset revaluation reserve records revaluations of non-current assets.

(c) Option Reserve

The option reserve records the value of share based payments expensed in accordance with vesting conditions and AASB 2.

(d) Share Based Payment Reserve

The share based payment reserve records the value of share based payments for future share issues.

	2014 \$000's	2013 \$000's
Note 22 Capital and Leasing Commitments		
(a) Property rent and lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable		
- not later than 1 year	562	578
- later than 1 year but not later than 5 years	711	1,327
- later than 5 years	-	-
	<u>1,273</u>	<u>1,905</u>
Property rent and lease commitments are non-cancellable and primarily relate to office premises in Australia and USA. The Australian property's lease operates until 30 September 2016.		
(b) Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable		
- not later than 1 year	16	17
- later than 1 year but not later than 5 years	30	46
- later than 5 years	-	-
	<u>46</u>	<u>63</u>
Operating lease relates to office equipment; the terms are due to run out within the next one to 4 years.		
(c) Capital Commitments		
Payable		
- not later than 1 year	1,271	-
- later than 1 year but not later than 5 years	-	-
- later than 5 years	-	-
	<u>1,271</u>	<u>-</u>
Capital commitments relate primarily to the renovation and expansion of the newly acquired facility in Bemban, Malaysia		

Notes to the consolidated financial statements

	2014 \$000's	2013 \$000's
Note 23: Cash Flow Information		
(a) Credit Standby Arrangements with Banks		
Credit facility	1,376	1,254
Amount utilised	(350)	-
	<u>1,026</u>	<u>1,254</u>

The bank overdraft facilities are arranged with two banks with the general terms and conditions being set and agreed to annually. Interest rates are variable and subject to adjustment.

(b) Term Loans

Loan facility	3,129	1,176
Amount utilised	(1,527)	(358)
	<u>1,602</u>	<u>818</u>

The bank loan facilities are arranged with two banks with the general terms and conditions being set and agreed to annually. Interest rates are variable and subject to adjustment.

(c) Bankers Acceptances

Credit Facility	1,689	1,332
Amount utilised	(1,689)	(1,171)
	<u>-</u>	<u>161</u>

Bankers Acceptance facilities arranged with a Malaysian bank and are subject to specific terms for use. Rates are variable and subject to adjustment.

(d) Non-bank finance

Credit Facility	137	171
Amount utilised	(137)	(171)
	<u>-</u>	<u>-</u>

The non-bank financing of the Group's insurance policies is arranged with a specialist insurance funding institution with general terms and conditions set and agreed annually. Rates are fixed.

Notes to the consolidated financial statements

Note 24: Contingent Liabilities and Contingent Assets

There were no contingent assets or liabilities as at the date of this report.

For information on bank guarantees given by ITL Limited and its controlled entities, refer to Note 17: Borrowings.

Note 25: Controlled Entities

(a) Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)	Percentage Owned (%)
		2014	2013
Ultimate Parent Entity			
ITL Limited	Australia	-	-
Subsidiaries of ITL Limited:			
ITL Corporation Pty Limited	Australia	100%	100%
Noble House Group Pty Limited	Australia	100%	100%
ITL North America Inc	USA	100%	100%
ITL Asia Pacific Sdn Bhd	Malaysia	100%	100%
ITL HealthCare Pty Limited	Australia	100%	100%
Subsidiaries of ITL HealthCare Pty Limited:			
Surgicare Pty Limited	Australia	100%	100%

(b) Controlled Entities Acquired - Nil

(c) Entities subject to class order relief

Pursuant to Class Order 98/1418, relief has been granted to ITL Healthcare Pty Limited, ITL Corporation Pty Limited, Surgicare Pty Limited and Noble House Group Pty Limited from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of their financial records.

As a condition of the Class Order, ITL Limited, ITL Healthcare Pty Limited, ITL Corporation Pty Limited, Surgicare Pty Limited and Noble House Group Pty Limited (the "Closed Group") have entered into a Deed of Cross Guarantee on 17 November 2004. The effect of the deed is that ITL Limited has guaranteed to pay any deficiency in the event of winding up of a controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that ITL Limited is wound up or does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

The consolidated income statement and balance sheet of the entities that are members of the Closed Group are as follows:

Consolidated Income Statement

	Closed Group	
	2014	2013
	\$'000	\$'000
Profit before income tax	2,077	3,531
Income tax benefit	15	113
Profit after tax	2,092	3,644
Accumulated losses at beginning of the period	(19,984)	(23,163)
Dividends Paid	(1,078)	(465)
Transfer from asset revaluation reserve	318	-
Accumulated losses at the end of the period	(18,652)	(19,984)

Notes to the consolidated financial statements

Note 25: Controlled Entities (continued)

(c) Entities subject to class order relief (continued)

Consolidated Balance Sheet

	Closed Group	
	2014	2013
	\$'000	\$'000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	43	260
Trade and other receivables	3,836	3,376
Inventories	3,294	2,728
Other current assets	235	267
TOTAL CURRENT ASSETS	7,408	6,631
NON-CURRENT ASSETS		
Property, plant and equipment	2,336	2,625
Product tooling and equipment	17	16
Intangible assets	534	656
Investments	4,770	4,770
Deferred tax assets	1,636	1,621
TOTAL NON-CURRENT ASSETS	9,293	9,688
TOTAL ASSETS	16,701	16,319
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	1,570	1,106
Borrowings	660	279
Intercompany Payables	2,392	2,593
Intercompany Loans	225	226
Short-term provisions	646	604
TOTAL CURRENT LIABILITIES	5,493	4,808
NON-CURRENT LIABILITIES		
Borrowings	391	250
Long-term provisions	373	372
TOTAL NON-CURRENT LIABILITIES	764	622
TOTAL LIABILITIES	6,257	5,430
NET ASSETS	10,444	10,889
EQUITY		
Issued capital	29,096	30,333
Share Payments Reserve	-	222
Asset revaluation reserve	-	318
Accumulated losses	(18,652)	(19,984)
TOTAL EQUITY	10,444	10,889

Notes to the consolidated financial statements

Note 26: Related Party Transactions

Transactions with related parties are on terms equivalent to an arm's length transaction unless otherwise stated.

Transactions with related parties:

- (i) Ultimate Parent Company - Nil
- (ii) Entities within wholly owned group - Nil
- (iii) Directors

		Interest Received	Amounts owed by
		\$'000	related parties
			\$'000
Loans from/to related parties			
Key Management Personnel of the Group			
	Directors' loans		
	2014	1	101
	2013	-	-

On 14 May 2014 ITL Limited entered in to a loan agreement with Mr W Mobbs Executive Chairman. The loan facility amount was \$150,000 of which \$100,000 was drawn down at 30 June 2014 with the balance of \$50,000 drawn down on 1 July 2014. Interest is payable at 7% p.a. and there was interest accrued of \$720 at 30 June 2014. The repayment date was 15 August 2014 which was subsequently extended to 13 August 2015. The loan is secured over future emoluments to be paid to Mr W Mobbs in his capacity of Executive Chairman.

		Sales to related	Amounts owed by
		parties	related parties
		\$'000	\$'000
Transaction with related parties			
Key Management Personnel of the Group			
	Other directors' interests		
	2014	8	-
	2013	-	-

During the year ITL Corporation Pty Ltd provided services at market price for \$7,502 to MyHealthTest Pty Ltd. The latter is a company whose majority shareholding is controlled by Mr W Mobbs.

(iv) Share Transactions of Directors

Directors' and Director – related entities' share holdings directly, indirectly or beneficially held as at the reporting date are disclosed in the Directors' Report

(v) Key Management Personnel

The totals of remuneration paid to KMP of the Company and the Group during the year are:

	2014	2013
	\$'000's	\$'000s
Short term employee benefits	1,082	1,056
Post-employment benefits	42	38
Long term benefits	9	4
Share Based Payments - Shares	757	791
	1,890	1,889

Notes to the consolidated financial statements

Note 27: Events After Balance Sheet Date

On 14 August 2014, 2,856,500 ordinary shares were issued to key management personnel under the Executive Share Plan at an issue price of \$0.20 for payment of 2014 financial year bonuses and 2015 full financial year salaries and fees. This price was determined by the Board based on recent market prices for ITL shares. In line with accounting standard AASB 2 Share-based payments, this share issue will be reflected in the accounts at fair value which is the market price of ITL shares of \$0.205 on the grant date of 14 August 2014.

On 14 August 2014, ITL Limited declared a fully franked final dividend of 0.5 cents per share with payment made 2 September 2014.

At the close of 15 September 2014, 194,086 ordinary shares have been bought back since 30 June 2014 at a cost of \$38,817 and cancelled. These shares were all acquired at a price of \$0.20. Issued capital at the close of business on 15 September 2014 is 85,422,721 ordinary shares.

There has not been any other matter or circumstance in the interval between the end of the year and the date of this report that has materially affected or may materially affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial periods.

Note 28: Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, hire purchase agreements and leases.

Financial Risk Management Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group businesses whilst managing its interest rate, foreign exchange, liquidity and credit risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group policy is not to engage in speculative transactions.

Treasury Risk Management

Head office management review currency and interest rate exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

Specific Financial Risk Exposures and Management

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

(a) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2014 approximately 4% (2013: 10%) of the Group's debt of \$3,703k (2013: \$1,700k) was fixed rate. The Board reviews the mix of fixed and floating rate debt to ensure that a suitable balance is maintained commensurate with business needs.

Notes to the consolidated financial statements

Note 28: Financial Risk Management (continued)

	Average Effective Interest rate		Total Borrowings	
	2014	2013	2014 \$'000's	2013 \$'000's
Floating rate instruments	4.74%	5.42%	3,566	1,529
Fixed rate instruments	9.89%	9.89%	137	171
			<u>3,703</u>	<u>1,700</u>

(b) Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency. The group is also exposed to foreign currency risks through holding financial assets and financial liabilities in foreign currencies in its subsidiaries. Fluctuations in exchange rates between the Australian dollar and US dollar, Malaysian Ringgit and the Euro may impact the Group's financial results. The group manages its exposure to currency risk by borrowing in local currencies and selective hedging. Cash is receipted where possible in local currencies and used to settle debts arising from meeting working capital requirements in local currencies. All significant financial assets and financial liabilities are held in the functional currency of the operation holding the financial instrument.

(c) Liquidity risk

Liquidity risk arises from the possibility that the group might encounter difficulty in settling its debts or otherwise meeting its obligations related to its financial liabilities. The group manages this risk by:

- preparing cash flow forecasts;
- ensuring that adequate unutilised borrowing facilities are maintained;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- investing surplus cash only with major financial institutions.

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such the amounts may not reconcile to the balance sheet.

2014 \$'000	Interest Rate range	On demand	Due < 1 year	Due 1 – 2 years	Due 2 – 5 years	Due > 5 years	Total
Bank overdraft	8.63%	-	350	-	-	-	350
Bankers Acceptances	4.85-5.10%	-	1,689	-	-	-	1,689
Bank loans	4.70-7.21%	-	254	258	498	517	1,527
Non-bank loans	9.89%	-	137	-	-	-	137
Trade and other payables	-	-	2,410	-	-	-	2,410
Bank guarantees	-	246	-	-	-	-	246
Total Financial Liabilities		246	4,840	258	498	517	6,359

Notes to the consolidated financial statements

Note 28: Financial Risk Management (continued)

2013 \$'000	Interest Rate range	On demand	Due < 1 year	Due 1 – 2 years	Due 2 – 5 years	Due > 5 years	Total
Bank overdraft	-	-	-	-	-	-	-
Bankers Acceptances	4.74%	-	1,171	-	-	-	1,171
Bank loans	7.66%	-	108	104	146	-	358
Non-bank loans	9.89%	-	171	-	-	-	171
Trade and other payables	-	-	1,491	-	-	-	1,491
Bank guarantees	-	241	-	-	-	-	241
Total Financial Liabilities		241	2,941	104	146	-	3,432

(d) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter-parties of contract obligations that could lead to a financial loss to the group. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The credit risk is limited to trade and other receivables, as reported in note 9, and bank balances, as reported in note 8, for the group.

The major exposure to credit risk is customer receivables which are managed closely by each operating segment. There is no significant concentration with respect to particular customers and no allowance for impairment loss was required at 30 June 2014. Credit risk from balances with banks is managed by Head Office and at 30 June 2014 over 34% of cash balances were held with Commonwealth Bank of Australia, 34% with Maybank and 31% with Citibank.

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

Fair Values

The fair values of financial assets and financial liabilities are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.

The fair values of other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments, forward exchange contracts and interest rate swaps.

Financial assets where the carrying amount exceeds fair values have not been written down as the consolidated group intends to hold these assets to maturity.

Fair values are materially in line with carrying values. Management has assessed that cash and cash equivalents, trade and other receivables, trade and other payables, bank overdrafts and fixed rate loans approximate their carrying amounts largely due to the short term maturity of these instruments.

Notes to the consolidated financial statements

Note 28: Financial Risk Management (continued)

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

	Carrying amount 2014 \$000's	Fair value 2014 \$000's	Carrying amount 2013 \$000's	Fair value 2013 \$000's
Financial Assets				
Cash and cash equivalents	122	122	412	412
Trade and other receivables	3,797	3,791	3,418	3,417
	<u>3,919</u>	<u>3,913</u>	<u>3,830</u>	<u>3,829</u>
Financial Liabilities				
Trade and other payables	2,410	2,410	1,491	1,491
Other loans and amounts due	3,703	3,703	1,700	1,700
	<u>6,113</u>	<u>6,113</u>	<u>3,191</u>	<u>3,191</u>

Management has assessed that cash and cash equivalents, trade and other receivables, trade and other payables, bank overdrafts and fixed rate loans approximate their carrying amounts largely due to the short term maturity of these instruments

Sensitivity Analysis

Interest Rate Risk, Foreign Currency Risk and Price Risk

The group has performed sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

The Group is exposed to movements in interest rates as a result of its net debt positions at 30 June:

	2014 \$000's	2013 \$000's
Total Floating Rate Borrowings	3,566	1,529
Less Cash and Cash Equivalents	(122)	(412)
Net Debt/(Cash)	<u>3,444</u>	<u>1,117</u>

Notes to the consolidated financial statements

Note 28: Financial Risk Management (continued)

For year ended 30 June, the effect on profit after tax and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2014 \$000's	2013 \$000's
<u>Change in profit after tax</u>		
Increase in interest rates by 1%	(24)	(8)
Decrease in interest rates by 1%	24	8
<u>Change in equity</u>		
Increase in interest rates by 1%	-	-
Decrease in interest rates by 1%	-	-

The above table demonstrates the sensitivity to a reasonably possible change in interest rates based on movements in interest rates experienced during the preceding 12 months.

Foreign Currency Risk and Sensitivity Analysis

The following table illustrates the group's sensitivities to reasonable possible changes in exchange rates based on movements experienced in the preceding 12 months. The table indicates the impact on profit after tax and net assets of the group reported at the reporting date that would have been affected by changes in exchange rates. It is assumed that the exchange rate movement is independent of other variables.

At 30 June 2014, the Group had the following exposure to foreign currency that is not designated in cash flow hedges:

		2014 000's	2013 000's
Trade & Other Receivables	USD	1,594	1,552
	MYR	13	126
Trade & Other Payables	USD	268	145
	EUR	121	101
	MYR	2,078	847

For year ended 30 June, the effect on profit and equity as a result of changes in the value of the Australian Dollar to foreign currencies, with all other variables remaining constant is as follows:

	2014 \$000's	2013 \$000's
<u>Change in profit after tax</u>		
Increase in AUD to USD by 5%	(180)	(183)
Increase in AUD to MYR by 5%	213	164
Increase in AUD to EUR by 5%	51	52
Decline in AUD to USD by 5%	180	183
Decline in AUD to MYR by 5%	(213)	(164)
Decline in AUD to EUR by 5%	(51)	(52)
<u>Change in equity</u>		
Increase in AUD to USD by 5%	(5)	(9)
Increase in AUD to MYR by 5%	(211)	(225)
Decline in AUD to USD by 5%	5	9
Decline in AUD to MYR by 5%	211	225

It should be noted that the above impacts are primarily as a result of exposure to Malaysian Ringgit revenue net of expenses, exposure to U.S. dollar revenue net of expenses, exposure to EUR expenses and, net assets of the Group's Malaysian and U.S. companies.

Notes to the consolidated financial statements

Note 29: Operating Segments

Management have determined the operating segments based upon reports reviewed by the Board and executive management that are used to make strategic decisions. Refer to note 1(c) for discussion on the composition of reportable segments.

The following table presents the revenue and profit information regarding business unit segments for the years ended 30 June 2014 and 30 June 2013.

Year ended 30 June 2014

	Innovative Products Group	Healthcare Australia	Total Segments	Corporate & Other	Adjusts and Elims	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
External Customers	11,005	14,859	25,864	-	-	25,864
Inter Segment	629	122	751	-	(751)	-
	11,634	14,981	26,615	-	(751)	25,864
Other Revenue	58	40	98	-	-	98
Interest Revenue	2	-	2	1	-	3
Total segment revenue	11,694	15,021	26,715	1	(751)	25,965
Result						
Segment results *	2,535	616	3,151	(827)	-	2,324
Earnings Before Interest and Tax *	2,535	616	3,151	(827)	-	2,324
Interest revenue	2	-	2	1	-	3
Interest expense	(113)	(124)	(237)	(14)	-	(251)
Income tax expense	(706)	(177)	(883)	828	-	(55)
Total segment results *	1,718	315	2,033	(12)	-	2,021

* Includes Corporate recharges to each segment

Notes to the consolidated financial statements

Note 29: Operating Segments (continued)

Year ended 30 June 2013

	Innovative Products Group	Healthcare Australia	Total Segments	Corporate & Other	Adjusts and Elims	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
External Customers	9,544	15,341	24,885	-	-	24,885
Inter Segment	272	-	272	-	(272)	-
	9,816	15,341	25,157	-	(272)	24,885
Other Revenue	21	44	65	-	-	65
Interest Revenue	1	1	2	-	-	2
	22	45	67	-	-	67
Total segment revenue	9,838	15,386	25,224	-	(272)	24,952
Result						
Segment results *	2,207	1,141	3,348	(804)	-	2,544
Earnings Before Interest and Tax *	2,207	1,141	3,348	(804)	-	2,544
Interest revenue	1	1	2	-	-	2
Interest expense	(29)	(59)	(88)	(5)	-	(93)
Income tax expense	(588)	(320)	(908)	913		5
Total segment results *	1,591	763	2,354	104	-	2,458

* Includes Corporate recharges to each segment

Notes to the consolidated financial statements

Note 29: Operating Segments (continued)

For the purposes of monitoring segment performance and allocating resources between segments, segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists.

The Group has a number of customers to which it provides its products and services with the top 5 customers accounting for 27% of total external revenue. The most significant customer accounts for 18% of total external revenue within the Innovative Products Group.

Intersegment Transactions

Segment revenues, expenses and results include transactions between segments. The transfer prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the consolidated group at an arm's length. These transactions are eliminated on consolidation.

Note 30: Share-based Payments

Executive Share Plan

The Executive Share Plan ("ESP") was approved at the 18 November 2011 Annual General Meeting for the three year period to 17 November 2014. Under the ESP, and following renewed approval at the 31 October 2013 Annual General Meeting, shares may be issued to Executives and Directors in lieu of part or all of their annual remuneration including bonuses. Conditions attached to the issue of shares, if any, are determined at the time of issue by the Board.

On 24 August 2012, 4,766,375 ordinary shares were issued under the ESP at an issue price of \$0.16. This price was determined as the volume weighted average market prices of ITL shares during the preceding 12 month period.

In line with accounting standard AASB 2 Share-based payments, this share issue is reflected in the accounts at fair value which is the market price of ITL shares of \$0.19 on the grant date of 24 August 2012.

On 12 August 2013, 2,810,294 ordinary shares were issued under the ESP at an issue price of \$0.233. This price was determined as the volume weighted average market prices of ITL shares during the preceding 12 month period.

In line with accounting standard AASB 2 Share-based payments, this share issue is reflected in the accounts at fair value which is the market price of ITL shares of \$0.285 on the grant date of 12 August 2013.

On 1 November 2013, 656,526 ordinary shares were issued under the ESP at an issue price of \$0.263. This price was determined as the volume weighted average market prices of ITL shares during the preceding 12 month period.

In line with accounting standard AASB 2 Share-based payments, this share issue is reflected in the accounts at fair value which is the market price of ITL shares of \$0.300 on the grant date of 1 November 2013.

Total expenses arising from share based payments recognised during the period as part of Salaries and Employee Benefits Expense were as follows:

	2014 \$000's	2013 \$000's
Shares issued under ESP	607	530
Shares to be issued under ESP (Share Based Payments Reserve)	-	222
	<u>607</u>	<u>752</u>

Notes to the consolidated financial statements

Note 31 Parent Entity Information

Financial Position	2014	2013
	\$000's	\$000's
Assets		
Current Assets	1,078	2,476
Non Current Assets	7,763	7,660
Total Assets	8,841	10,136
Liabilities		
Current Liabilities	819	2,892
Non Current Liabilities	9	5
Total Liabilities	828	2,897
Equity		
Issued Capital	29,096	30,333
Retained Earnings	(21,083)	(23,634)
Reserves	-	540
Total Equity	8,013	7,239
Financial Performance		
Profit/(Loss) for the year	3,311	6,658
Other comprehensive income	-	-
Total Comprehensive Income	3,311	6,658

The parent entity received dividends of \$3,322k from other entities within the Group during 2014 (2013:\$6,553k)

There are no contingent assets or liabilities other than those disclosed in Notes 17 & 24.

The company has guaranteed the banking facilities of a number of subsidiaries as detailed in Note 17. Under the terms of the financial guarantees, the company will make payments to reimburse the lenders upon failure of the guaranteed entity to make payments when due. Terms and face values of the liabilities guaranteed were as follows:

	30 June 2014 Face	30 June 2013 Face
	Value \$'000	Value \$'000
Bank Loans of Controlled Entities	3,566	1,529

Pursuant to ASIC Class Order 98/1418, ITL Limited, ITL Corporation Pty Ltd, Noble House Group Pty Ltd, ITL Healthcare Pty Ltd and Surgicare Pty Ltd have entered in to a cross guarantee under which ITL Limited and these wholly owned subsidiaries have guaranteed the debts of each other. As a result, these subsidiaries are relieved from the *Corporations Act 2001* requirements for preparation and lodgement of audited Financial Reports and Directors' Reports.

There are no material capital commitments.

Note 32: Company Details

The registered office and principal place of business of the company is:

ITL Limited
1/63 Wells Road
Chelsea Heights VIC 3196
Australia

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards (including the Australian Accounting interpretations); and
 - b. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated group; and
 - c. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.
2. the Chief Executive Officer and the Chairman have signed Management Representation Letters declaring to the best of their knowledge:
 - a. the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view of the financial position and performance of the company.
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. in the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that members of the Closed Group identified in note 25 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Cross Guarantee.

This declaration is made in accordance with a resolution of the Board of Directors.



William Mobbs
Executive Chairman
Dated this 16th day of September 2014

Auditors Report



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Independent auditor's report to the members of ITL Limited

Report on the financial report

We have audited the accompanying financial report of ITL Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, signed on 16 September 2014. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.



Opinion

In our opinion:

- a. the financial report of ITL Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 15 to 21 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of ITL Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'James Palmer'.

James Palmer
Partner
Canberra
17 September 2014

Shareholder Information

Stock Exchange Listing

ITL Limited's shares are listed on the Australian Securities Exchange (ASX) under the code ITD.

The shareholder information set out below was current at 2 September 2014.

There were 543 holders of ordinary shares in the Company. These shareholders held 85,422,721 ordinary shares. All issued ordinary shares carry one vote per share.

Distribution of Ordinary Shares

Holdings Ranges	Holders	Total Units	%
1-1,000	24	3,913	0.005
1,001-5,000	70	232,420	0.272
5,001-10,000	67	553,455	0.648
10,001-100,000	301	9,702,754	11.359
100,001-9,999,999,999	81	74,930,179	87.717
Totals	543	85,422,721	100.000

Holdings less than a marketable parcel 21

Substantial Shareholders as at 2 September 2014:

	Number of Shares	% Held
Bilbo Holdings Pty Ltd	32,997,746	38.63

Twenty Largest Shareholders at 2 September 2014:

Rank	Holder Name	Balance at xx-09-2014	%
1	BILBO HOLDINGS PTY LTD	32,997,746	38.629
	MR WILLIAM LEONARD MOBBS <BILBO SUPER FUND A/C>	15,010,232	17.572
	BILBO HOLDINGS PTY LTD <BILBO FAMILY A/C>	10,683,381	12.506
	HASTCOMBE PTY LTD	7,304,133	8.551
2	MR CHRIS CARR & MRS BETSY CARR	4,000,000	4.683
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,360,569	3.934
4	A & P TURNBULL INVESTMENTS PTY LTD <TURNBULL FAMILY S/F A/C>	2,991,752	3.502
	A & P TURNBULL INVESTMENTS PTY LTD <TURNBULL FAMILY S/F A/C>	2,333,350	2.732
	CANDOO PTY LTD <THE TURNBULL FAMILY A/C>	658,402	0.771
5	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	2,984,551	3.494
6	J P MORGAN NOMINEES AUSTRALIA LIMITED	2,277,949	2.667
7	MS STEPHANIE NORRELL	2,079,750	2.435
	MS STEPHANIE NORRELL	2,079,750	2.435
8	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	2,000,000	2.341
9	MR CRAIG DOUGLAS WILSON	1,604,542	1.878
	MR CRAIG DOUGLAS WILSON	919,533	1.076
	COCAMA SUPERANNUATION FUND PTY LTD <WILSON FAMILY S/F A/C>	570,800	0.668
	MRS KARINA PHYLLIDA WILSON	114,209	0.134
10	BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	1,479,951	1.733
11	MRS SALLYANNE LEE MOBBS & MR RICHARD JAMES MOBBS <MOBBSTERS SUPER FUND A/C>	1,290,112	1.510
	MRS SALLYANNE LEE MOBBS & MR RICHARD JAMES MOBBS <MOBBSTERS SUPER FUND A/C>	708,379	0.829
	MR RICHARD JAMES MOBBS & MRS SALLY-ANNE LEE MOBBS <MOBBSTERS FAMILY A/C>	581,733	0.681
12	MR KEVIN PETER O'DONNELL & MRS GLENIS NITA O'DONNELL & BEATTIE RICKMAN TRUSTEE CO LTD <KP&GN O'DONNELL FAMILY A/C>	1,149,830	1.346
	MRS GLENIS NITA O'DONNELL	1,149,830	1.346
13	MR BERNARD FREDERICK KNOWLER	1,000,000	1.171
14	TALSTON PTY LIMITED <TALSTON A/C>	1,000,000	1.171
15	MONTAGUE CORPORATE SERVICES PTY LTD	765,664	0.896
	KMDH PTY LTD <K M SUPERANNUATION FUND A/C>	765,664	0.896
16	NARINDER PALL SINGH KANDA	694,644	0.813
	NARINDER PALL SINGH KANDA	694,644	0.813
17	MR BEREND JOHN PHILIP HOFF & MRS PETA LINDSAY HOFF <BEREND HOFF SUPER FUND A/C>	680,000	0.796
18	FRED PARRISH INVESTMENTS PTY LTD <PARRISH FAMILY A/C>	652,650	0.764
19	FRANCIS PIRES PTY LTD <FA PIRES SUPER FUND A/C>	511,219	0.598
20	FRED PARRISH INVESTMENTS PTY LTD <PARRISH FAMILY A/C>	505,583	0.592

As at 2 September 2014, the 20 largest shareholders held ordinary shares representing 74.95% of the issued capital.

Corporate Directory

Directors

Mr William Mobbs
Mr Sanjay Sehgal
Mr Andrew Turnbull

Executive Chairman
Chairman, Audit & Risk Management Committee

Company Secretary

Mr Trevor Doolan

Registered Office

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Telephone

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Facsimile

(03) 8773 3059

Share Registry

Boardroom Pty Limited
Level 7, 2017 Kent Street
Sydney, NSW 2000

General Enquires

1300 737 760

Facsimile

1300 653 459

Website

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Email

enquires@boardroomlimited.com.au

Auditor

Ernst & Young
121 Marcus Clarke Street
Canberra ACT 2600