Occupational & Medical Innovations Limited

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26 October 2004

Annual Report

Occupational & Medical Innovations Limited ("OMI") is pleased to submit its Annual Report for the 2003/2004 year.

The report, along with Notice of the Annual General Meeting, will be mailed to all shareholders in the coming week.

A PDF version of the report is available for download from the OMI website, www.omiltd.com.

The Annual General Meeting will be held at 11:00am on Monday 29 November 2004 in the ASX Lecture Theatre, Level 5, Riverside Centre, 123 Eagle Street, Brisbane.

KEITH TASKE
Joint Chief Executive Officer

occupational & medical innovations limited

annual report 2003 - 2004

contents

OMI – a multi-medical device company

Worldwide, it is estimated that more than two million sharps injuries occur every year within the healthcare industry. Every injury has the potential to cause life-threatening diseases, such as HIV and hepatitis, and devastating trauma.

Unfortunately, sharps injuries and their associated risks are not confined to syringes – they can come from accidents with any instrument in contact with another person and capable of transferring bodily fluid.

Fortunately, this risk can be reduced through simple, yet innovative medical devices.

OMI is leading the way with its holistic approach to sharps injuries through purposeful innovation. OMI carefully scrutinises medical and related practices to identify areas of risk or potential danger. On identifying a problem, OMI looks for effective solutions.

OMI's vision is clear:

To create a safer world through affordable, innovative occupational and medical technology.

The vision defines and energises the OMI mission to:

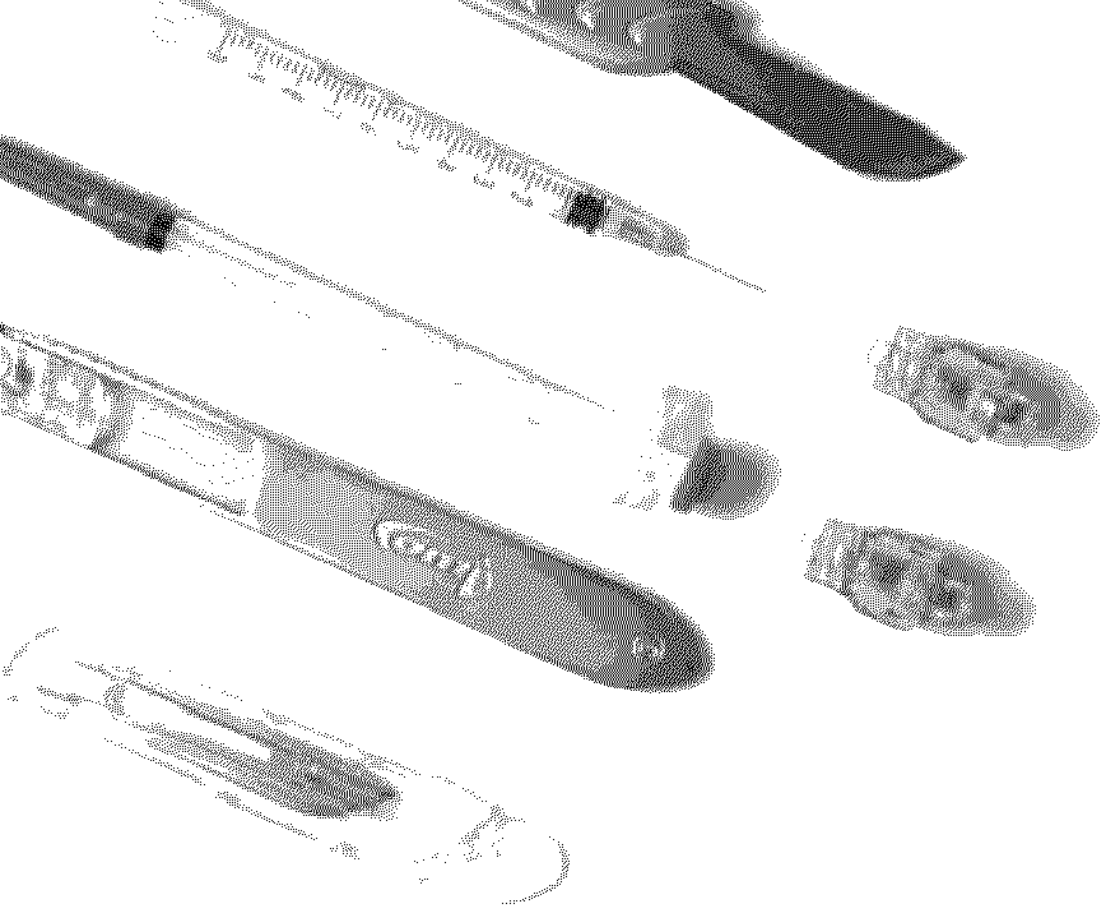
Deliver innovative, affordable safety products of high quality to the healthcare industry

Live by our core values of honesty, integrity, fairness, respect and responsibility for self and others

Become a recognised leader in occupational and medical safety technology.

OMI is now making the transition from a research and design company to one selling its innovations on the world stage. Sales of OMI's safety scalpels are already occurring in Australia and New Zealand. In the coming year, sales of OMI's retractable syringes will begin, and after that the safe IV access valve.

Looking to the future, OMI's multi-medical device approach will see new concepts, most of which have not been publicly announced, bring OMI to the international forefront of medical device innovation and sales, reducing sharps injuries throughout the world.



highlights of 2003-2004

24 September 2003	Safety scalpel granted FDA clearance
29 September 2003	Device Technologies Australia Pty Ltd appointed as Australian distributor for safety scalpel
28 October 2003	Signed exclusive, world-wide agreement with the China Medical Group (CMG) for the manufacture of OMI's patented retractable syringe
1 December 2003	Keith Taske appointed as Joint Chief Executive Officer
18 December 2003	Agreement signed with Terumo Corporation Australia for the distribution of retractable syringes in Australia, New Zealand and the Pacific Islands.
18 December 2003	Therapeutic Goods Administration clearance to distribute full range of retractable syringes in Australia
25 March 2004	First sales of the safety scalpel
5 April 2004	Appointment of seven-member Medical Advisory Panel
23 April 2004	Retractable syringe wins 2004 Australian Design Award
12 May 2004	Confirmed USA and Australian orders for safety scalpel exceed $490,000
31 May 2004	Heads of Agreement signed with Terumo Medical Corporation to distribute the full range of retractable syringes throughout the United States, Mexico and Canada
9 June 2004	New concept in sharps usage and disposal launched – the safety needlecase
15 June 2004	Share purchase plan raises $4.9 million in fresh working capital

chairman's letter

On behalf of the Board of Directors of Occupational and Medical Innovations Ltd, I take pleasure in presenting the OMI annual report for the year ended 30 June 2004.

As predicted in the 2003 annual report, this year has been OMI's first year of sales income, with our safety scalpel going to market in the USA and Australia. Early sales have exceeded initial predictions and we have reason to believe that this is just the beginning. We expect that, in the coming year, sales will increase in established markets and that we will enter other markets, further increasing sales.

Our safe IV access valve continues to make progress, albeit more slowly than expected, through the final stages of development prior to regulatory approval. We expect these to be finalised by the first quarter of 2005. In the meantime, negotiations for its distribution are continuing with major international parties. We expect to see significant income from this product in the 2005 reporting year.

As also predicted in last year's annual report, this year has seen major advances towards income from our retractable syringe. We are now moving towards full-scale production.

The progress achieved with the safety scalpel, safe IV access valve and retractable syringe establishes OMI as a truly multi-medical safety device company – a company that is not dependent on only one product for its success.

Unfortunately, this diversity has not yet been fully priced by the market. The share price has been somewhat volatile since floating four years ago and some of the gains made after listing have been eroded. The Board and staff of OMI know that the share price does not mirror the progress of the Company towards profitability. Personally, it has been frustrating to me to see the steady internal growth and consolidation not reflected in the market place.

Shareholder confidence has also been of concern to me. However, this concern was resoundingly refuted by the success of our Shareholder Purchase Plan. We expected to raise two million dollars, which is the average for a company of our size. Shareholders took up additional shares totalling nearly five million dollars. This is an almost unheard of percentage take-up. The financial security that this gives OMI as we make the transition to a profitable trading company is one thing, but the most heartening aspect to me was the demonstrated faith of the shareholders in OMI. Thank you for your ongoing confidence and support.

The Board of OMI has followed a deliberate policy of not allocating significant amounts of valuable human and financial resources to selling itself and its achievements to the financial markets, preferring to focus our energies on getting products into the medical markets. The Board is acutely aware of our obligation to keep the market fully informed of all material information at all times, which, I am sure, will eventually lead to correct pricing of OMI's shares. I feel sure that all shareholders that have invested in the company for the medium to long term, rather than to speculate on the share price, will agree with this policy.

I would like to thank the Board of OMI for their hard work over the last year. We were sad to farewell David Jenkins who left because of other work commitments, but have been very pleased to welcome Keith Taske as a Director and Joint Chief Executive Officer. Keith is a Director of OMI's US subsidiary, OMI Inc, and has been involved with the company since its inception. Lawrence Litzow has now taken David's role as Company Secretary.

Finally, I would like to sincerely and publicly thank the staff of OMI for their loyalty, dedication and diligence over the past year. Shareholders should know that they are a highly motivated and extremely hard working team and that their efforts are recognised and appreciated.

Dr John Taske
Chairman

joint chief executive officer's review

The past year has been one of significant milestones for OMI as we move toward cementing our place as a major multi-medical device company.

The biggest achievements in the past year have been with our range of retractable syringes. We have signed a distribution agreement with Terumo Corporation for the distribution of our retractable syringes throughout Australia, New Zealand and the Pacific Islands. Terumo is one of the world's largest suppliers of syringes and the agreement with OMI is a major milestone for both companies. Further, we have seen our retractable syringes gain Australian regulatory approval, becoming listed on the Australian Register of Therapeutic Goods. This now clears the way for our syringes to be sold in Australia.

Following on from our agreement with Terumo Australia, we have also signed a Heads of Agreement with Terumo USA for the distribution of our retractable syringe within the USA. Negotiations with Terumo USA to proceed to a distribution agreement are ongoing and we are hopeful of a positive outcome.

The past year has also seen our safety scalpel make its debut in the market place both here in Australia and in the United States. Sales of the safety scalpel by Device Technologies in Australia and by Personna Medical in the United States have exceeded original forecasts and we are continually fielding enquiries about our safety scalpel from other markets throughout the world.

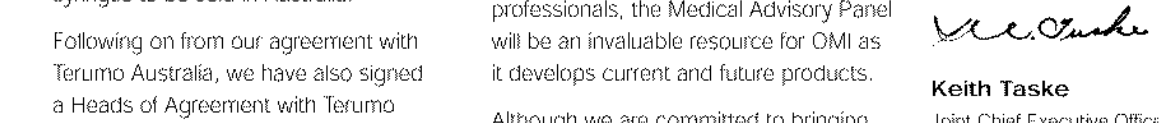
The past year has also seen OMI generate its first sales revenue. Based on current forecasts, we expect this revenue figure to grow to $5 million in the next financial year.

OMI also took another step forward earlier in the year with the appointment of the Medical Advisory Panel. Comprising a number of eminent medical professionals, the Medical Advisory Panel will be an invaluable resource for OMI as it develops current and future products.

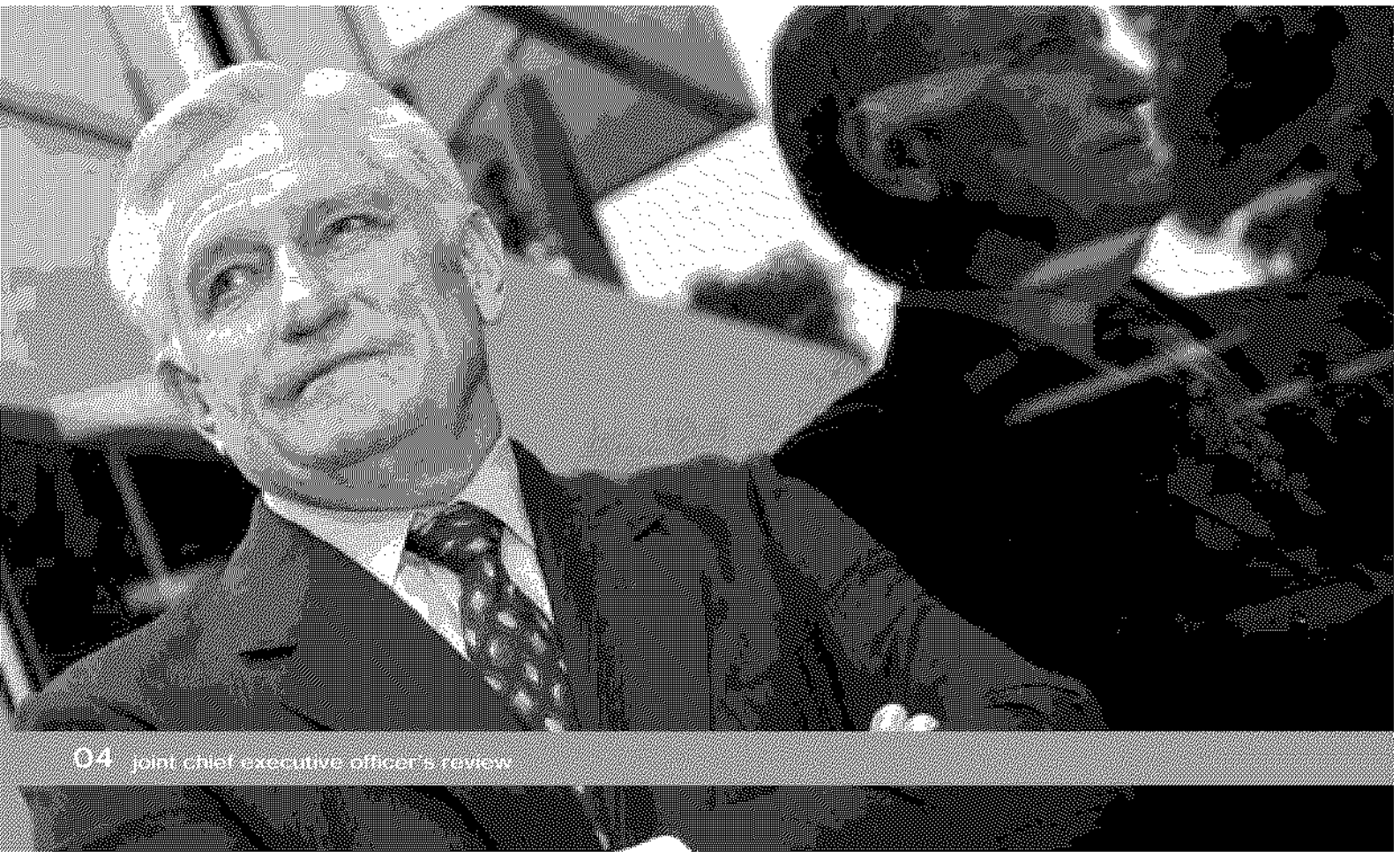
Although we are committed to bringing our current range of products to market, we also have our eyes firmly on the future and this was highlighted this year with the launch of our latest innovation, a safety needlecase. The safety needlecase received widespread media coverage at its launch and is another example of OMI's innovative design solutions.

Finally, 2003/04 has seen OMI implement a new Shareholder Communication Plan. We have published two quarterly newsletters and re-launched our website, all with a view to maximising not only shareholder, but also stockbroker and general community awareness of the activities of OMI.

The past 12 months have been incredibly challenging, yet also successful and those challenges and successes are set to continue into the next 12 months and beyond.



Keith Taske
Joint Chief Executive Officer



research and development review

The past year has been one of evolution rather than revolution for the OMI research and development team. The year has seen continuing design and development on the safety scalpel, retractable syringe and safe IV access valve to bring them into production. We have also launched a new concept – the safety needlecase.

I am pleased to have expanded the R&D team to welcome specialists in manufacturing, engineering and design. The team are talented people with fresh and innovative ideas backed by practical experience and sound theoretical knowledge.

The Medical Advisory Panel, mentioned elsewhere in this report, has also contributed significantly to the work of the R&D team in the later part of the year. Formed in April, the Panel will continue to provide input into the R&D process to ensure OMI's products lead the world with affordable, usable and innovative products.

Retractable Syringe

Now that we are moving towards full-scale commercial production of the retractable syringe, the focus of the R&D team's work has been to streamline the design to facilitate the production process. The design, while remaining fundamentally the same, has been enhanced so that it assembles more quickly and smoothly. Visually, there are no changes to its performance or appearance.

Safety Scalpel

OMI has an ongoing commitment to quality and continuous improvement. As a result of our thorough testing procedures, we identified that a more positive lock on the sheath mechanism would result in the scalpel having even greater protective capabilities. The team's work has been focused on developing this improvement, while also working on refinements to facilitate mass production. Once again, the product remains visually unchanged.

Safe IV Access Valve

We are now gearing up for the final stage of testing the safe IV access valve before moving to the mass production stage of development. The final hurdle has been to ensure that the valve will withstand 45psi of back pressure as stipulated by the Association for the Advancement of Medical Instrumentation (AAMI) standards. Now that we have achieved that, we can move forward in the coming year to production testing of the safe IV access valve.

Safety Needlecase

Launched in June 2004, the safety needlecase is the latest concept in medical safety technology. This concept is currently undergoing market assessment before moving to the next stage of development.

The Future

The R&D team continues to work and innovate on products that complement and augment OMI's current range. Needless to say, OMI will continue to be a truly multi-medical device company.

I would like to thank my R&D team for their hard work throughout the year. We will continue to innovate and lead the world with simple yet effective products.

Bruce Kiehne
Joint Chief Executive Officer
and Company Founder

the story so far

The story of OMI is one of remarkable innovation stemming from adversity.

In the mid-90s, a member of Bruce Kiehne's family suffered a needlestick injury from a carelessly discarded syringe in a church yard. Bruce witnessed first hand the devastating effects that a needlestick injury can have on an individual and the person's family. As a result, he set about trying to reduce the risks of needlestick injuries and make the world a safer place.

Bruce's work has expanded beyond syringes, to a truly multi-disciplined approach to minimising health care hazards through innovative yet simple product design. OMI's work is based on the concept that no single product can solve all the hazards in the medical world, but that a selection of products aimed at the major hazards can help engineer out the risks that practitioners face every day.

retractable syringe

The OMI retractable syringe offers simple, one-handed activation that is part of the natural action of using a standard syringe. The moment all fluid is expelled, the needle automatically retracts into the syringe plunger, in the process destroying itself by breaking the needle hub and plunger seal. This guarantees single use of the syringe. Further, the needle is locked inside the plunger rod once activated, providing a second level of safety to users. The result is a safe, non-reusable syringe designed to reduce potential needlestick injuries.

The OMI retractable syringe will be available in all of the most widely used syringe sizes, including 1ml, 3ml, 5ml and 10ml.

The retractable syringe was honoured with a 2004 Australian Design Award.

safety scalpel

OMI's safety scalpel minimises the high incidence of blade cut injuries suffered by operating theatre staff.

The single, one-handed movement provides proven safety advantages. The safety scalpel features a protective guard that covers the blade ensuring safe loading, passing, changing and disposing of the scalpel. A unique feature of the guard is the safety tab, which must be removed by the user before the blade can be exposed.

The safety scalpel is available with either a disposable plastic or reusable stainless steel handle.

The safety scalpel was honoured with a 2003 Australian Design Award.

safe iv access valve

The safe IV access valve is innovative and simple to use, allowing attachment and changes of intravenous tubes safely for the patient and staff.

The safe IV access valve offers positive fluid displacement, ensuring no residual fluid is left in the valve, and a flat surface that is easy to swab. The valve features high flow rates and minimal dead space. Importantly, the valve is compatible with both the luer slip and luer lok™ syringes.

The safe IV access valve was short listed for a 2004 Australian Design Award.

awards and excellence

OMI has been formally recognised as a serial innovator in the field of medical technology.

In 2003, OMI was pleased to accept an Australian Design Award for our safety scalpel. In 2004, OMI was again recognised with an Australian Design Award, this time for our retractable syringe.

OMI's safe IV access valve was also entered in the 2004 Australian Design Award competition and was short-listed for an accolade.

The innovative but simple and practical nature of the retractable syringe design has been further honoured by inclusion in the 2004 Powerhouse Museum Selection and will be publicly exhibited in the museum's Success and Innovation Hall until June 2005.

Recognised by the Commonwealth Government for its important role in promoting Australian design nationally and internationally, the Australian Design Awards are Australia's only national design awards program. Since its inception in 1977, the Awards have enjoyed an exceptional track record in recognising some of Australia's most successfully commercial inventions including the Hills Hoist, the Victa Lawn Mower, the first Holden Ute and the Winged Keel.

"Excellent functionality with very low complexity. Solutions like these highlight the importance of professional industrial design to the product development process."

– Judge's comment on the retractable syringe

"This is the most innovative and successful product in its class to date."

– Judge's comment on the rectractable syringe

the future

marketing and sales

The process of bringing a medical device to market is a long one. Not only does the product have to be conceived and designed, but it needs rigorous testing and regulatory approvals relevant to the market. After many years of development, OMI's first products are now for sale.

OMI's policy has always been to achieve sales through existing distribution channels. OMI already has agreements and in-principle agreements in place to sell through some of the world's largest established medical distributors.

The process of getting products to the consumer is facilitated by OMI's clinical sales support manager, who trains distributors and often works side-by-side with them as first sales are made.

The safety scalpel went into production this year and first sales were achieved at the end of March. By early May, confirmed orders of more than $490,000 had been achieved in the USA and Australia. In particular, we are pleased to have seen the acceptance of the safety scalpel in hospitals in the USA. We anticipate entering the European market in the coming year.

The retractable syringe is close to entering full-scale production, with the construction of a high-tech plant by OMI's contracted manufacturer. Once production begins, we anticipate a rapid penetration through distribution agreements signed in Australia and a heads of agreement signed in the huge USA market. Once sales begin, our next step will be to gain regulatory approval to enter the European market.

The safe IV access valve is yet to go into production and reach markets. Even so, a heads of agreement has been signed, promising the rapid entry into Australasian markets once product becomes available.

OMI anticipates sales of $5 million from its product range in the coming financial year.

Distribution agreements signed

Distributor	Product	Markets
American Safety Razor Company	Safety scalpel	USA, Canada, the Caribbean, Mexico
Device Technologies Australia	Safety scalpel	Australia, New Zealand
Terumo Australia	Retractable syringe	Australia, New Zealand, Pacific Islands

Heads of agreement signed

Distributor	Product	Markets
Terumo USA	Retractable syringe	USA, Mexico, Canada
B.Braun Australia	Safe IV access valve	Australia, New Zealand, South East Asia

industry challenges

The medical safety device industry presents many challenges. OMI is well positioned to meet these challenges and thrive where others may fail.

Regulation

The medical device industry in general is highly regulated. In the USA medical devices must gain Food and Drug Administration (FDA) approval, in Australia they have to obtain listing with the Therapeutic Goods Administration (TGA), while in Europe products must achieve the CE Mark. The pattern repeats itself throughout the world, where each market has a different set of rules and regulations to which medical devices must comply.

OMI is well positioned to penetrate this regulatory framework. OMI's regulatory affairs manager, supported by the resources of the world's leading regulatory affairs consultants, has the expertise to meet and exceed the regulatory requirements in every market that we enter.

Competition

The USA Health Care Worker Needlestick Prevention Act of 1999 mandates the use of retractable syringes in the USA by 2007. Technology companies around the world have raced to penetrate the market and gain substantial market share, leading to fierce competition. This is only one market and one product. Similar themes can be found in markets throughout the world.

Early on, OMI recognised that there were a small number of large distributors supplying devices to the medical industry. OMI has sought to align itself with selected distributors ensuring a fast and efficient route to markets for products. OMI has continually shown distributors that it has great products with short times between development and bringing the product to the market. This has been the result of a carefully considered strategy implemented by OMI's commercialisation team.

OMI is well placed to compete in this highly competitive market.

Product range

OMI has been portrayed in the financial markets as a 'retractable syringe' company. As a result, investors seem to react in line with the fortunes of other retractable syringe manufacturers.

However, OMI is not just a retractable syringe manufacturer – OMI is a multi-medical device company with one product in production, another two nearing production and more in development. Our fortunes are not tied to the success of one product.

The challenge for OMI has been to have the market recognise this fact and more accurately reflect the achievements of the company. In the coming year, OMI will actively communicate with stakeholders to change this view in the market.

product innovation and development

The future of OMI is in continuing product development and innovation. OMI is not a one-product company solely reliant on the product's success in the market to achieve returns for shareholders. OMI is truly a multi-medical safety device company and will continue to innovate and diversify within this market.

The next concept in OMI's product range is the safety needle case. Launched in June 2004, this concept solves one of the causes of needlestick injuries.

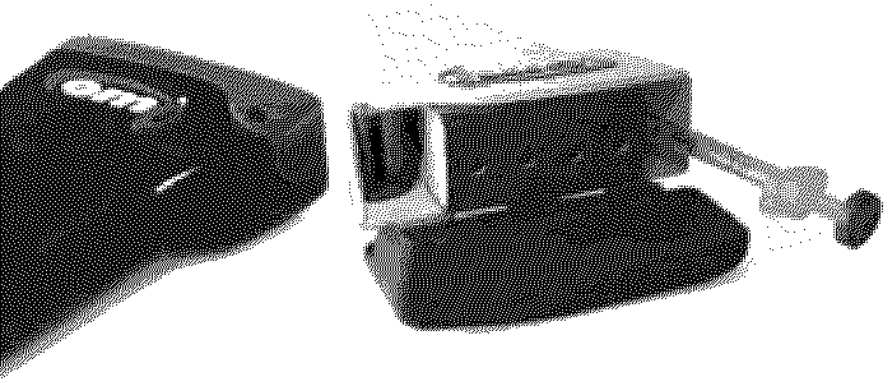
The safety needlecase is a container that forces the safe storage and disposal of syringes, thereby preventing syringes from being discarded or misplaced and potentially leading to a life-threatening needlestick injury.

The safety needlecase incorporates a number of fail-safe systems, such as an anti-tamper mechanism and complete inaccessibility to syringes stored within the case, giving rise to 'safe-disposal' technology.

OMI's safety needlecase revolutionises sharps containers by storing the same number of needles as a conventional plastic needlecase, but dispensing them only one needle at a time, requiring reinsertion before the device will provide another syringe. The case can handle all types of syringes.

Importantly, the new needlecases are expected to cost around the same price as current sharps containers.

The concept is currently undergoing commercial evaluation prior to the next stage of development.



our people

the board

Dr John Taske
Chairman

Dr John Taske is a medical specialist in the field of anaesthesia. He holds a further qualification in tropical medicine. Dr Taske has been extensively involved with OMI since its inception, including working closely with founder Bruce Kiehne, and advising on modifications to Bruce's innovations during the development phase.

Dr Taske served in the Australian Regular Army for 16 years. This service included 13 months in Vietnam as a Regimental Medical Officer and three years with the Australian Special Air Service Regiment (SAS).

Following his military service, he has held the position of Director of Anaesthesia at the Princess Alexandra Hospital in Brisbane for six years. Dr Taske is a member of the Australian and New Zealand College of Anaesthetists, the Australian Society of Anaesthetists, the Australian Medical Association and the Australian Academy of Medicine and Surgery.

Bruce Kiehne
Joint Chief Executive Officer

Bruce Kiehne is OMI's Joint Chief Executive Officer and Company founder. For the past six years, Bruce has been heavily involved in the design and development of OMI's product range and leads the OMI research and development team.

For many years, Bruce was employed in the heavy machinery and vehicle maintenance industry. He first began to explore the potential of product innovation in 1989 when he was commissioned to design and construct a Brisbane manufacturing plant to produce automotive parts. That project included designing tooling and manufacturing equipment.

Bruce's natural flair for engineering design led him to his ultimate course of designing and developing products to promote medical and workplace safety.

Bruce is a supporter of many local charities and in 2004 was nominated for the Australian of the Year Award.

Keith Taske
Joint Chief Executive Officer

Keith Taske was appointed to the Board in January 2004. He has been involved with OMI since its inception and has been a Director of OMI Inc, OMI's American subsidiary, since 1999.

Keith brings to OMI a high level of commercial and managerial skills gained from more than 26 years in senior management and managing director positions in companies in Australia and the USA. His precise administrative flair coupled with an established high standard of sales direction and success, and strong leadership experience will direct OMI's future growth.

Michael Hayne
Director

Michael Hayne brings to the Board of Directors significant expertise in corporate law, commercial law and general business consulting. Michael has been a member of the Board since 2000.

Michael was admitted as a Solicitor of the Supreme Court of Queensland in 1974 and as a Solicitor of the High Court of Australia in 1990. He has been a Partner of the law firm Nicholsons since 1976. Michael is a member of the Australian Institute of Company Directors.

Lawrence Litzow
Director

Lawrence Litzow has many years of experience in public and corporate fields, ranging from being a member of the Small Business Council advising the Federal Member for Small Business of the day, to public company directorships in diverse industries.

Lawrence is a chartered accountant by profession; however, he has spent the last 15 years in the corporate arena.

Lawrence has been a Board member since 2003.

the team

In the last twelve months, OMI has expanded its outstanding team of people that design, manufacture and commercialise its range of medical products. Appointments have been made in the following specialist positions:

- Joint chief executive officer
- International business development manager
- Operations manager
- Regulatory affairs and quality control manager
- Manufacturing manager
- Clinical sales support manager

The OMI team of people is dedicated and hardworking, and yet have the flair and creative brilliance to be innovative world-leaders in medical technology.

Research and Development

OMI employs a team of highly skilled industrial designers and specialist injection moulders in its research and development team. Every aspect of product development, from the initial concept, through to the production of prototypes and product testing, is carried out in-house at OMI.

Commercialisation

The commercialisation team takes OMI's growing product portfolio from prototype stage to distribution on the world market. The OMI commercialisation team is committed to distributing OMI's products through the established networks of the world's leading medical device distributors, such as: Terumo Corporation (syringe), B Braun (valve), and American Safety Razor Company and Device Technologies Australia (scalpel).

Manufacturing and Quality Assurance

The manufacturing and quality assurance team ensure that all OMI products are produced to the highest possible standards by manufacturing contractors, and to maintain quality at all stages of the production process. The team manage all regulatory compliance.

Administration

The administration team provide an essential support role within the OMI group. From reception and secretarial services, through to logistics support and financial management, the OMI administration team help to ensure the smooth running of an ever growing OMI.

medical advisory panel

The success of OMI's range of medical safety products is largely dependent on their usability and end-user acceptance.

OMI has appointed a seven-member Medical Advisory Panel comprising some of Australia's most accomplished surgeons and medical specialists to provide regular input into OMI's product development process. As well as advising on usability and end-user acceptance, the panel is also expected to assist with the creation of entirely new medical products.

Ensuring that OMI's products effectively solve real medical and surgical needs will help drive end-user demand and ensure faster market acceptance.

Dr John Taske
Consultant anaesthetist with a private practice based at the Wesley Hospital.

Professor Russell Strong AO, CMG
Former Professor of Surgery at the University of Queensland and former Director of Surgery at the Princess Alexandra Hospital in Brisbane.

Dr William Glasson
Consulting Ophthalmologist at the Mater Adults Hospital Brisbane and current Federal President of the Australian Medical Association.

Professor David Vickers
Hand surgeon, designer of more than twenty surgical instruments and appliances and recipient of the British Design Council Award for Excellence of Design.

Dr Paul Millican
Plastic and reconstructive surgeon and Australian Plastic Surgery representative on 3M's Medical Advisory Panel.

Dr Leslie Thompson
Consulting Urologist and past Chairman of the State Regional Training Committee of the Royal Australian College of Surgeons.

Dr Edward Dauber
Diagnostic Radiologist and examiner for the Royal Australian and New Zealand College of Radiologists.

corporate governance statement

The Board of Directors of Occupational and Medical Innovations Limited ("the Company") is responsible for the corporate governance of the consolidated entity comprising Occupational and Medical Innovations Limited and its controlled entities.

The Board:

1. Guides and monitors the business and affairs of the Company on behalf of the Company's members to whom they are accountable
2. Provides corporate strategy and guidance
3. Reviews appropriate plans and annual budgets, including allocation of resources and capital expenditure
4. Monitors financial performance
5. Protects and enhances the Company's reputation
6. Ensures compliance with regulatory and other requirements, and manages risks to the Company and its business.

Day-to-day management of the Company's affairs and the implementation of the corporate strategy and policy is delegated to the Managing Director (Chief Executive Officer) and the senior executives. The delegation policy is reviewed at least annually.

The Board has established the following guidelines to ensure the effective operation and discharge of its responsibilities.

Composition of the Board

The Board should comprise at least five directors of whom at least two should be independent directors and the majority non-executive. The Board should comprise directors with an appropriate blend of qualifications and expertise. The Board meets at least monthly.

- One of the executive directors should be the Managing Director. The Managing Director should not be the Chairperson of the Board.
- The Chairperson should be a non-executive director
- The Board should contain a blend of expertise in:
  - Accounting and finance
  - Marketing and sales
  - Medical or related industries
  - CEO-level experience
  - Corporate and legal.

The Board currently comprises two executive directors and three non-executive directors, of which two are independent directors. The Chairman is a non-executive director. Details of each member of the Board, including their experience, qualifications, term of office and status and their respective shareholdings are set out in the Directors' Report.

The non-executive directors meet at least twice annually without the presence of management, to discuss the operation of the Board and a range of relevant matters. Matters arising from these meetings are shared with the full Board.

The Board undertakes an annual review of the performance of the Board and the individual directors, and examines the appropriate mix of skills to ensure maximum effectiveness and contribution to the results of the Company's business.

Chairman and Managing Director

The Chairman is responsible for:

1. Leading the Board
2. Ensuring that all Board members are properly briefed on all relevant matters
3. Facilitating Board discussions
4. Managing the Board's relationship with senior management.

The Managing Director is responsible for:

1. Management of the day-to-day activities of the Company
2. Implementation of the Company's policies and strategies.

Board Committees

The Board has established the following committees:

- Audit Committee
- Risk Management Committee
- Remuneration Committee
- Nomination Committee
- Plan Committee.

The Board's policy is that a non-executive director chairs each committee and that each committee have a majority of members being non-executive directors.

Audit Committee

The Board has established an Audit Committee which operates under a charter approved by the Board on advice from the Audit Committee. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, such as the safeguarding of assets, maintenance of proper accounting records, the reliability of financial information and non-financial considerations such as the benchmarking of operational key performance indicators. The Audit Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial report. The Audit Committee comprises a majority of non-executive directors.

The Audit Committee meets at least once a year with the auditors without the presence of any executive members.

The committee members are:
M Hayne (Chair)
L Litzow
K Taske

Details of the qualifications and attendance at Audit Committee meetings are shown in the Directors' Report.

The Audit Committee met four times during the year.

External Auditors

The Company and the Audit Committee policy are to engage auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually.

An analysis of fees paid to the external auditors, including details of fees for non-audit services, if any, is shown in the Financial Report. It is the policy of the external auditors to provide an annual declaration of independence to the Audit Committee.

The external auditor is requested to attend the Annual General Meeting of the Company and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Remuneration Committee

The Board is responsible for determining and reviewing remuneration arrangements for the directors and the executive team. The Board has established a Remuneration Committee comprising two non-executive directors.

The committee members are:
Dr J Taske (Chair)
M Hayne

Details of the qualifications and attendance at Remuneration Committee meetings are shown in the Directors' Report.

The Remuneration Committee met once during the year.

Nomination Committee

The Board as a whole comprises the Nomination Committee. Responsibilities include Board succession as well as evaluation of directors' performance and competencies.

The committee:

1. Conducts an annual review of the membership of the Board having regard to the present and future perceived needs of the Company, and makes recommendations as considered appropriate to be considered at a Board meeting
2. Annually examines the independence status of each director
3. Oversees the annual review and assessment program.

Details of the qualifications and attendance at Nomination Committee meetings are shown in the Directors' Report.

The Nomination Committee met once during the year.

Risk Management Committee

The prime purpose of the Risk Management Committee is to identify those areas of risk which are most likely to cause major disruption and damage to the business of the Company. The committee is to implement, with Board approval, plans and procedures which should mitigate any damage.

The Risk Management Committee should meet as often as considered necessary, but not less than three times per year.

The committee is responsible for:

- Identification of the major risks to the Company and its business
- Prioritising the risks according to perceived likelihood of occurrence and impact
- Measurement of the financial and other effects of risks identified
- Design of risk minimisation techniques and procedures
- Recommendations to the Board of risk minimisation implementation
- Implementing Board approved plans and procedures.

The composition of the Risk Management Committee should consist of persons who have the relevant experience, qualifications and skills in the business of the Company, its industry and business generally to competently discharge their responsibilities as a member of the committee.

The Company risk management policy and the operation of the risk management and compliance system are managed by the Company Risk Management Committee. The Board receives a report from the committee following each meeting of the committee.

The identification of risk and its management is an ongoing process in the context of a growing and changing business and regulatory environment, and the committee is constantly re-examining its recommendations to ensure that new risks and changes to existing risks are identified, understood and the appropriate responses structured and put into effect.

The committee members are:
L Litzow (chair)
M Hayne
J Taske
B Kiehne
K Taske

Details of the qualifications and attendance at Risk Management Committee meetings are shown in the Directors' Report.

The Risk Management Committee met three times during the year.

Compliance Committee

The Compliance Committee is charged with the responsibility of designing, monitoring and making sure that the appropriate systems of control and reporting are in place to ensure that the Company complies with all legal and regulatory requirements as they apply to the business of the Company.

The committee members are:
J Taske
M Hayne

Details of the qualifications and attendance at Compliance Committee meetings are shown in the Directors' Report.

Corporate Reporting

The Joint Managing Directors have made the following certifications to the Board:

1. That the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company, and are in accordance with the relevant accounting standards
2. That the above statement is based on a sound system of risk management, internal compliance and control that is operating efficiently and effectively in all material respects, and that the system implements the policies adopted by the Board.

The Company adopted this reporting structure for the year ended 30 June 2004.

Independent Professional Advice and Access to Company Information

Each director has the right of access to relevant company information and the executive management team. Directors may seek independent professional advice at the Company's expense prior to consultation with the Managing Director and with approval from all directors at a directors' meeting. A copy of advice received by the director is made available to all other members of the Board.

Conflicts of Interest

In accordance with the Corporations Act and the Company's Constitution, the directors should advise the Board on an on-going basis of any interests that might conflict with those of the Company. Where the Board believes that a conflict exists, the director concerned is not permitted to be present at the meeting when the relevant issue is considered and does not receive the relevant Board papers.

Code of Conduct

Directors bear individual responsibilities for the performance of their duties before the law, and collective responsibility for the behaviour of the Board.

The following code of conduct encompasses legislative and common law requirements of directors, as well as the specific behaviours that Occupational and Medical Innovations Limited ("Occupational and Medical Innovations" or "the Company") expects of directors.

Occupational and Medical Innovations has adopted the code of conduct as pronounced by the Australian Institute of Company Directors.
This code provides that:

1. A director should act honestly, in good faith and in the best interests of the company as a whole.
2. A director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
3. A director should use the powers of office for a proper purpose, in the best interests of the company as a whole.
4. A director should recognise that the primary responsibility is to the company's shareholders as a whole but should, where appropriate, have regard for the interests of all stakeholders of the company.
5. A director should not make improper use of information acquired as a director.
6. A director should not take improper advantage of the position of director.
7. A director should not allow personal interests, or the interests of any associated person, to conflict with the interests of the company.
8. A director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the board.
9. Confidential information received by a director in the course of the exercise of directional duties remains the property of the company from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by that company, or the person from whom the information is provided, or is required by law.
10. A director should not engage in conduct likely to bring discredit upon the company.
11. A director has an obligation, at all times, to comply with the spirit, as well as the letter of the law and with the principles of the code.

Shareholder Relations and Market Disclosure

The Board aims to ensure that shareholders and other stakeholders have equal and timely access to appropriate material information concerning the Company.
Information is communicated through:

- The annual report, which is distributed to all shareholders and the Australian Stock Exchange
- Notices of the Annual General Meeting and other meetings of members called as required to obtain approval for Board action
- Timely announcements through the Australian Stock Exchange announcements platform

- The half-year report containing summarised financial information and a review of operations for that period.

The Board encourages full participation of shareholders at the Annual General Meeting.

Guidelines for Trading Company Securities

The Board has approved and communicated a policy on the trading of its securities by directors and employees. Company policy prohibits directors and employees from dealing in Company shares during the period commencing 30 days prior to the release of the Company's results, and at any other time during the year whilst in possession of price sensitive information.

1. This policy statement applies to directors, officers and employees ("designated officers") of Occupational and Medical Innovations Limited. This policy statement also applies to directors, officers and employees of any subsidiary company of Occupational and Medical Innovations.

2. The Corporations Act specifically prohibits a person from purchasing or selling shares where such person (called "an insider") possesses information that is not generally available but, if the information were generally available, would have a material effect on the price of shares in Occupational and Medical Innovations.

   The law also prohibits a person from procuring others to trade when the designated officer is precluded from trading.

   This prohibition extends to external advisers and designated officers who should be aware of the need to enforce confidentially against such external advisers, where appropriate.

3. Designated officers should provide notification to the company secretary of intended trading activity in Occupational and Medical Innovations' shares. The exception to this requirement is for the trading of shares under a Dividend Re-investment Plan, Employee Share Plan and Directors' Share Plan.

4. Written confirmation or a copy of the contract note evidencing the share trading transaction should be provided to the Company Secretary within four business days of the transaction.

5. A trading "black-out" should occur during the following times:

   - 30 days prior to the release of the half-year and 30 June preliminary financial statements and/or the dividend announcement

   - 14 days prior to any intending announcement which a reasonable person would expect to have a material effect on the price or value of Occupational and Medical Innovations shares.

6. The Chairman may exercise his discretion to permit trading by designated officers in specific circumstances. Such circumstances include financial hardship or circumstances of a personal nature.

7. This trading policy applies to financial products issued or created over Occupational and Medical Innovations shares by third parties.

8. This policy does not prohibit designated officers from entering into a transaction in associated products which operate to limit the economic risk of their shareholdings in Occupational and Medical Innovations.

9. The Board recognises the benefits of equity participation by employees and directors, and encourages employees and directors to acquire equity in the company in the appropriate circumstances.

financial contents

Your Directors submit the following report on the consolidated entity consisting of Occupational & Medical Innovations Limited and the entities it controlled at the end of, or during, the year ended 30 June 2004.

Directors

The following Directors of the parent entity held office during the whole of the financial year and up to the date of this report:

Dr John Taske MB, BS (Qld), D.T.M.&H. (R.C.S. (Eng) R.C.P. (Lond)), F.F.A.R.A.C.S., F.A.N.Z.C.A., Chairman

Dr John Taske is a Medical Specialist in the field of Anaesthesia. His basic medical degree was gained through the University of Queensland. He holds a further qualification in Tropical Medicine from the University of London.

Dr Taske resigned with the rank of Colonel from the Australian Regular Army after 16 years of service. Thirteen months of this service was spent in Vietnam as a Regimental Medical Officer with a further three years in the Australian Special Air Service Regiment (SAS). He successfully attended Joint Services Staff College during his service.

Former positions held by Dr Taske include Director of Anaesthesia at the Princess Alexandra Hospital, Brisbane. Presently, he is a member of the Australian and New Zealand College of Anaesthetists, the Australian Society of Anaesthetists, the Australian Medical Association and the Australian Academy of Medicine and Surgery. He also serves on the Australian Pharmaceutical Advisory Council (APAC).

Dr Taske has been closely associated with Mr Bruce Kiehne for four years and has advised on modifications to Mr Kiehne's medical inventions during their developmental phase.

Bruce Kiehne - Managing Director

Mr Bruce Kiehne has been employed in the heavy machinery and vehicle maintenance industry for many years. He designed and constructed his first racing car at the age of fourteen and went on to hold a number of Championships in various classes.

In 1989, Mr Kiehne was commissioned to design and construct a Brisbane manufacturing plant to produce automotive products. This required the design of tooling and equipment used in the product manufacture.

For the past six years Mr Kiehne has been involved in design and development of products for the Medical and Workplace Safety Industries.

Michael Hayne - Director

Mr Michael Hayne was admitted as a Solicitor of the Supreme Court in Queensland in 1974, and subsequently as a Solicitor of the High Court of Australia. In 1976, he was admitted as a Partner of the firm of Nicholsons Solicitors. His areas of practice include Corporate and Commercial Law and general business consultancy. He is a member of the Australian Institute of Company Directors.

The following Directors of the parent entity were appointed during the financial year and continue in office up to the date of this report:

Lawrence Litzow - Director (Appointed July 2003)

Mr Lawrence Litzow offers years of experience in public and corporate fields ranging from being a member of the Small Business Council advising the Federal Minister for Small Business of the day, to public company directorships in diverse industries. Mr Litzow is a chartered accountant by profession however has spent the last fourteen years in the corporate arena.

Keith Taske - Director (Appointed January 2004)

Mr Keith Taske was appointed as Joint Chief Executive Officer in December 2003 and was appointed as a Director in January 2004. Mr Taske has been involved with the consolidated entity since its inception and is a Director of OMI Inc, the American controlled entity. Mr Taske has held senior management positions both in Australia and the United States of America and brings a strong commercial presence to the executive team.

The following Director of the parent entity held office from the beginning of the financial year until his resignation at the Annual General Meeting for 2003 in November 2003.

David Jenkins B. Com, CPA, MAICD - Director (Resigned November 2003)

Mr David Jenkins has over 30 years experience in commercial business activities, specialising in the finance arena. Mr Jenkins has gained his expertise in a wide range of commercial industries ranging from multinational operations in Australia and overseas to small privately owned companies in technology operations.

Principal Activities

The principal activities of the consolidated entity during the year were the development and marketing of safety equipment used in the medical industry.

Review of Operations and Results of Operations

The consolidated operating loss after income tax for the financial year ended 30 June 2004 was $3,680,581 (2003: $2,192,036).

Whilst the year under review was a challenging one, it was also one of significant milestones for the Company as it moves towards producing cash flow as a manufacturer and supplier of multi-medical devices. The year has seen the Company produce its first sales revenue ($352,290) with contracts and orders in place to be fulfilled in the current year.

Costs for the year rose as a result of the Company assembling the staff to provide the research, testing, regulatory, manufacturing and marketing knowledge and skills needed to carry it forward as it moves to commercialisation of its products.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the company during the year other than as detailed under review and results of operations.

Dividends Paid or Recommended

There has been no dividend paid or recommended during or since the financial year.

Likely Future Developments and Expected Results

The particular information required by sub-section 299(1) (e) of the Corporation Act 2001 has been omitted from the report because the Directors believe that it would result in unreasonable prejudice to the consolidated entity.

Directors Meetings

Number of Directors meetings held during the financial year was:

Name of Director	Meetings held during the period whilst holding office	Meetings attended
Dr J Taske	13	13
B Kiehne	13	13
M Hayne	13	13
L Litzow (Appointed July 2003)	13	13
K Taske (Appointed January 2004)	5	5
D Jenkins (Resigned November 2003)	4	1

The Audit Committee comprising M Hayne, K Taske and L Litzow met four times during the year.

The Compliance Committee comprising Dr J Taske and M Hayne met twice during the year.

The Remuneration Committee comprising Dr J Taske and M Hayne met once during the year.

Interests of Directors

At the date of this report the following interests in ordinary shares were held by Directors:

Name of Director	Ordinary Shares
Dr J Taske	679 575
B Kiehne	4 242 573
M Hayne	89 225
L Litzow	13 225
K Taske	423 125

Emoluments of Directors and Senior Executive Officers

Principles used to determine the nature and amount of remuneration

Non-executive directors

Fees and payments to Non-executive Directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive Directors' fees and payments are reviewed annually by the Board.

Directors' fees

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $500,000 in aggregate plus statutory superannuation.

Executive pay

The combination of base pay and superannuation make up the Executive Directors total remuneration. Base pay for the Executive Director is reviewed annually to ensure the executives pay is competitive with the market.

Details of remuneration

Details of the nature and amount of each major element of the emoluments of each Director of the company and the officers of the company and the consolidated entity are:

Director	Director's Fee	Salary	Non-Cash Benefits	Superannuation	Options	Total
Dr J Taske	47 525	-	-	270	-	47 795
B Kiehne	24 000	151 513	12 221	15 796	-	203 530
M Hayne	34 000	-	-	-	-	34 000
L Litzow	34 000	-	-	-	-	34 000
K Taske	10 000	78 652	4 324	7 926	-	100 902
D Jenkins	2 000	-	-	-	-	2 000
Total	151 525	230 165	16 545	23 992	-	422 227

Executive Officers	Basic Emoluments	Non-Cash Benefits	Superannuation	Options	Total
K Taske #	31 228	1 730	2 811	-	35 769
A Horstman	60 766	2 340	5 469	-	68 575
W Archibald	133 624	4 596	12 026	-	150 246
J Moylan	122 484	9 846	11 024		143 354
Total	348 102	18 512	31 330	-	397 944

Remuneration during the period from 1 December 2003 to being appointed a Director on 22 January 2004.

The above disclosures relate to both the parent entity and consolidated entity.

Options

No options to acquire shares in the parent entity have been granted during the financial year and no options were outstanding at the end of the financial year.

Significant After Balance Date Events

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company and consolidated entity, the results of those operations or the state of affairs of the company and consolidated entity in future financial years.

Performance in Relation to Environmental Regulation

There has been no matter either during or since the end of the financial year which in the opinion of the Directors would give rise to any conflict with the provisions of existing environmental regulation.

Indemnification of Officers and Auditors

The company has not, during the financial year, in respect of any person who is or has been an officer or auditor of the company or a related body corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

During the year the consolidated entity paid a premium of $25 139 to insure the Directors and officers of the consolidated entity for costs and expenses which may be incurred in defending civil or criminal proceedings that may be brought against the Directors and officers in their capacity as Directors and officers of entities in the consolidated entity.

Proceedings on Behalf of the Company

No proceedings have been brought or intervened in on behalf of the parent entity with leave of Court under section 237 of the Corporations Act 2001.

Signed in accordance with a resolution of the Board of Directors.

Lawrence Litzow
Director
Brisbane, 23 September 2004.

Directors' Declaration

In the opinion of the Directors of Occupational & Medical Innovations Limited:

(a) the accompanying financial statements and notes comply with the Corporations Act 2001, comply with the Accounting Standards and give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance, as represented by the results of their operations and cash flows, for the year ended on that date; and

(b) at the date of this declaration, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with the resolution of the Board of Directors.

Lawrence Litzow
Director
Brisbane, 23 September 2004.

Statements of Financial Performance

For the Year Ended 30 June 2004

	Note	Consolidated Entity		Parent Entity	
		2004	2003	2004	2003
		$	$	$	$
Revenue					
Revenue from ordinary activities	3	457 108	487 217	99 011	91 366
Expenditure					
Expenses from ordinary activities	4	(4 485 488)	(2 957 742)	(492 872)	(466 544)
Borrowing costs		(15 376)	(10 281)	-	-
Profit/(loss) before income tax expense		(4 043 756)	(2 480 806)	(393 861)	(375 178)
Income tax (expense)/benefit	5	363 175	288 770	-	-
Net profit/(loss)		(3 680 581)	(2 192 036)	(393 861)	(375 178)
Total revenue, expenses and valuation adjustments recognised directly in equity	16	(14 500)	(93 284)	(14 500)	(93 284)
Total changes in equity other than those resulting from transactions with owners as owners	17	(3 695 081)	(2 285 320)	(408 361)	(468 462)
Basis earnings per share	19	(13.96) cents	(8.57) cents		
Diluted earnings per share	19	(13.96) cents	(8.57) cents		

The above Statements of Financial Performance should be read in conjunction with the attached notes.

Statements of Financial Position

As at 30 June 2004

	Note	Consolidated Entity 2004 $	Consolidated Entity 2003 $	Parent Entity 2004 $	Parent Entity 2003 $
Current Assets					
Cash assets	6	5 631 098	3 754 846	5 397 173	3 712 418
Receivables	7	99 899	78 368	7 284	42 817
Other	8	216 266	10 577	10 000	10 000
Total Current Assets		5 947 263	3 843 791	5 414 457	3 765 235
Non-Current Assets					
Receivables	7	-	-	6 522 017	3 473 100
Property, plant and equipment	9	467 118	359 789	59	142
Other financial assets	10	-	-	16 564 639	16 564 639
Intangible assets	11	15 521 202	16 504 052	2 670 899	2 840 114
Other	12	1 058 246	962 803	150 893	150 893
Total Non-Current Assets		17 046 566	17 826 644	25 908 507	23 028 888
Total Assets		22 993 829	21 670 435	31 322 964	26 794 123
Current Liabilities					
Payables	13	131 722	45 671	20 904	7 897
Interest bearing liabilities	14	6 622	14 240	-	-
Provisions	15	54 021	45 026	-	-
Total Current Liabilities		192 365	104 937	20 904	7 897
Non-Current Liabilities					
Interest bearing liabilities	14	28 712	27 614	-	-
Provisions	15	11 194	5 440	-	-
Total Non-Current Liabilities		39 906	33 054	-	-
Total Liabilities		232 271	137 991	20 904	7 897
NET ASSETS		22 761 558	21 532 444	31 302 060	26 786 226
Equity					
Contributed equity	16	32 973 508	28 063 813	32 973 508	28 063 813
Accumulated losses	17	(10 211 950)	(6 531 369)	(1 671 448)	(1 277 587)
TOTAL EQUITY		22 761 558	21 532 444	31 302 060	26 786 226

The above Statements of Financial Position should be read in conjunction with the attached notes.

Statements of Cash Flows

For the Year Ended 30 June 2004

	Note	Consolidated Entity 2004 $ Inflows/(Outflows)	Consolidated Entity 2003 $ Inflows/(Outflows)	Parent Entity 2004 $ Inflows/(Outflows)	Parent Entity 2003 $ Inflows/(Outflows)
Cash flow from Operating Activities					
Receipts from customers (GST inclusive)		425 755	462 570	35 906	23 695
Payments to suppliers and employees (GST inclusive)		(3 582 620)	(1 673 881)	(337 161)	(364 531)
Interest received		127 238	69 243	125 232	65 145
Research and development concession refund		363 175	288 770	-	-
Borrowing costs paid		(15 376)	(10 281)	-	-
Net cash provided by/(used in) operating activities	29	(2 681 828)	(863 579)	(176 023)	(275 691)
Cash flow from Investing Activities					
Payments for property, plant and equipment		(249 652)	(265 455)	-	-
Payments for research and development		(95 443)	(247 494)	-	-
Net cash provided by/(used in) operating activities		(345 095)	(512 949)	-	-
Cash flow from Financing Activities					
Proceeds from share issue		4 924 195	3 110 000	4 924 195	3 110 000
Share capital costs		(14 500)	(93 284)	(14 500)	(93 284)
Funds provided to controlled entities		-	-	(3 048 917)	(1 271 000)
Repayment of borrowings		(6 520)	(154 043)	-	-
Net cash provided by/(used in) operating activities		4 903 175	2 862 673	1 860 778	1 745 716
Net increase in cash held		1 876 252	1 486 145	1 684 755	1 470 025
Cash at the beginning of the year		3 754 846	2 268 701	3 712 418	2 242 393
Cash at the end of the year	6	5 631 098	3 754 846	5 397 173	3 712 418

The above Statements of Cash Flows should be read in conjunction with the attached notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report has been prepared on the basis of historical costs. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

(a) Principles of Consolidation

The consolidated financial statements combine the assets and liabilities of all entities controlled by Occupational & Medical Innovations Limited ("parent entity") as at 30 June 2004 and the results of all controlled entities for the year then ended. Occupational & Medical Innovations Limited and its controlled entities (refer note 27) are together referred to in the financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity have been eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

(b) Recoverable Amounts

The carrying amounts of non-current assets do not exceed the net amounts that are expected to be recovered through the cash inflows and outflows arising from the continued use and subsequent disposal of the assets. The expected net cash flows included in determining the recoverable amounts have not been discounted to their present value.

(c) Income Tax

Income tax has been brought to account using a method of tax effect accounting whereby income tax expense for the period is calculated on the accounting profit after adjusting for items which, as a result of their treatment under income tax legislation, create permanent differences between that profit and the taxable income. The tax effect of timing differences which arise from the recognition in the accounts of items of revenue and expense in periods different from those in which they are assessable or allowable for income tax purposes, are represented in the statement of financial position as "future income tax benefits" or "provisions for deferred income tax", as the case may be at current tax rates. A future income tax benefit is only carried forward as an asset where realisation of the benefit can be regarded as being assured beyond reasonable doubt.

Tax consolidation legislation

The consolidated entity is assessing the implementation of the tax consolidation legislation. No decision on the adoption of tax consolidation has been determined and the Australian Taxation Office has still to be notified of any decision.

(d) Property, Plant and Equipment

Plant and equipment is stated in the financial statements at cost. All plant and equipment are depreciated over their estimated useful lives using either the straight line method or diminishing value method commencing from the time the assets are held ready for use. The average depreciation rates per class of asset are as follows:

Class of asset	%
Motor vehicles	22.5 (diminishing value)
Computer equipment	33.3 (straight line)
Office equipment	20-40 (diminishing value)
Manufacturing equipment	20-40 (diminishing value)

(e) Employee Benefits

The following liabilities arising in respect of employee benefits are measured at their nominal amounts:

- Wages and salaries and annual leave regardless of whether they are expected to be settled within twelve months of balance date; and

- Other employee benefits which are expected to be settled within twelve months of balance date.

All other employee benefits, including long service leave, are measured at the present value of estimated future cash outflows in respect of services provided up to balance date. Liabilities are determined after taking into consideration estimated future increases in wages and salaries and past experience regarding staff departures. Related on costs are included.

(f) Revenue Recognition
Revenue from the sale of goods is recognised when control of the goods has passed to the buyer, the amount of revenue can be measured reliably and it is probable that it will be received by the consolidated entity.

(g) Intangibles
Patents are brought to account at cost and prior to commercial production are amortised using the straight-line method over 20 years. Upon commencement of commercial production the life cycle of the product is assessed and patents are amortised on a straight line basis over that life cycle.

(h) Deferred Research and Development Costs
Deferred research and development costs are brought to account at cost and amortised using the straight line method over the expected life of each product commencing from the date of commercial production/licensing. The carrying value of unamortised research and development costs are reviewed annually with costs on projects not considered recoverable written off.

(i) Payables
Accounts payable represent the principal amounts outstanding at balance date. Accounts payable are normally settled on 30 day terms and are non-interest bearing.

(j) Receivables
Trade accounts receivable and other receivables represent the principal amounts due at balance date. Trade accounts receivable are non-interest bearing and are normally settled on 30 day terms.

(k) Interest Bearing Liabilities
Interest bearing liabilities are recognised in the financial statements on the basis of nominal amounts outstanding plus accrued interest.

(l) Net Fair Values
The carrying amount of financial assets and liabilities recorded in the financial statements are stated at net fair value unless otherwise stated. The net fair value of assets is the amount that could be received on disposal less any costs of disposal. The net fair value of liabilities is the amount that could be paid to extinguish the debt, plus any costs of extinguishment.

(m) Borrowing Costs
Borrowing costs are recognised as an expense in the period which they are incurred.

(n) Cash
Cash includes cash on hand and in banks and investments in money market instruments.

(o) Leases
Operating lease payments are charged to expense on a basis which is representative of the pattern of benefits derived from the leased property.

(p) Earnings per Share
Basic: Basic earnings per share is determined by dividing net profit/(loss) attributable to members of the parent entity by the weighted average number of ordinary shares outstanding during the financial year.

Diluted: Diluted earnings per share adjusts the figures used in the determination of basic earnings per share using the weighted average number of ordinary shares adjusted for dilutive potential ordinary shares outstanding during the financial year.

(q) Translation of Foreign Currency Items
Transactions in foreign currency are recognised and translated using the spot rate at the date of the transaction. Foreign currency monetary items outstanding at the reporting date are translated at the spot rate at the reporting date.

	Consolidated Entity		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
2. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES				
The following items have been recognised in the profit/(loss) from ordinary activities:				
Net gains				
Foreign exchange gain	3 279	-	-	-
Expenses				
Depreciation of plant and equipment	136 390	49 450	83	73
Amortisation of leasehold improvements	65	29 441	-	-
Deferred Research and development costs written off	-	209 116	-	-
Amortisation of patents	982 850	982 850	169 215	169 215
Net loss on sale of non-current assets	5 868	-	-	-
Operating lease rental expense	51 600	51 600	-	-
3. REVENUES FROM ORDINARY ACTIVITIES				
Operating revenue:				
Sale of Goods	352 290	-	-	-
Rendering of Services	522	380 368	-	-
Non-operating revenue:				
Interest	101 017	95 464	99 011	91 366
Foreign exchange gains	3 279	-	-	-
Other	-	11 385	-	-
	457 108	487 217	99 011	91 366
4. EXPENSES FROM ORDINARY ACTIVITIES				
Classification of expenses by nature:				
Employee costs and Directors fees	1 334 395	748 730	137 545	111 545
Depreciation	136 390	49 450	83	73
Accounting	60 035	21 593	35 539	14 433
Amortisation	982 915	1 012 291	169 215	169 215
Consulting fees	173 604	187 711	48 499	85 951
Insurance	337 773	152 013	15 801	13 262
Legal costs	133 681	129 708	18 897	9 010
Listing expenses	41 774	52 944	41 774	52 944
Travel	207 789	57 057	-	-
Deferred Research and development costs written off	-	209 116	-	-
Patent fees	230 750	76 079	-	-
Printing and Stationery	55 279	41 662	-	-

	Consolidated Entity		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
4. EXPENSES FROM ORDINARY ACTIVITIES (continued)				
Rent	51 600	51 600	-	-
Cost of goods sold	189 800	-	-	-
Repairs and maintenance	54 113	3 667	-	-
Computer	77 136	18 189	-	-
Other expenses from ordinary activities	418 454	145 932	25 519	10 111
	4 485 488	2 957 742	492 872	466 544

5. INCOME TAX

The amount provided in respect of income tax differs from the amount prima facie payable on operating profit. The difference is reconciled as follows:

Prima facie tax benefit on operating profit/(loss) calculated at 30% (2003 : 30%)	(1 213 126)	(744 242)	(118 158)	(112 553)
Tax effect on permanent differences:				
Amortisation of patents	294 855	294 855	50 765	50 765
Other non deductible items	47 883	5 923	12 489	2 703
FITB not brought to account	870 388	443 464	54 904	59 085
R&D concession refund	(363 175)	(288 770)	-	-
Income tax expense/(benefit)	(363 175)	(288 770)	-	-

Potential future income tax benefits at 30% (2003: 30%) attributable to tax losses and timing differences carried forward, amounting to $1 502 485 (2003: $829 484) for the consolidated entity, and $303 614 (2003: $253 065) for the parent entity, have not been brought to account because Directors do not believe it is appropriate to regard realisation of the future income tax benefit as virtually certain. These benefits will only be obtained if:

(a) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction of the loss to be realised;

(b) the consolidated entity continues to comply with the conditions for deductibility imposed by law; and

(c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deduction for the loss.

Dividend imputation:

The balance of the franking account of the parent entity at the end of the year was nil. No dividends were paid during the year.

	Consolidated Entity		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
6. CASH ASSETS				
Cash on hand	11	10	10	10
Cash at bank	382 859	178 607	148 935	136 179
Cash on deposit	5 248 228	3 576 229	5 248 228	3 576 229
	5 631 098	3 754 846	5 397 173	3 712 418
7. RECEIVABLES				
Current				
Trade accounts receivable	56 385	8 746	-	-
Other	43 514	69 622	7 284	42 817
	99 899	78 368	7 284	42 817
Included in trade accounts receivable are amounts receivable in US dollars translated at the spot rate at year end	35 777	-	-	-
Non-Current				
Receivables from controlled entities	-	-	6 522 017	3 473 100
8. OTHER CURRENT ASSETS				
Prepayments	184 528	177	-	-
Other	31 738	10 400	10 000	10 000
	216 266	10 577	10 000	10 000
9. PROPERTY, PLANT & EQUIPMENT				
Plant and equipment at cost	726 699	502 070	548	548
Accumulated depreciation	(260 094)	(142 281)	(489)	(406)
	466 605	359 789	59	142
Leasehold improvements at cost	578	80 429	-	-
Accumulated amortisation	(65)	(80 429)	-	-
	513	-	-	-
	467 118	359 789	59	142
Movements during the year:				
Plant and equipment:				
Beginning of the year	359 789	148 450	142	215
Additions	249 074	260 789	-	-
Disposals	(5 868)	-	-	-
Depreciation	(136 390)	(49 450)	(83)	(73)
	466 605	359 789	59	142

	Consolidated Entity		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
9. PROPERTY, PLANT & EQUIPMENT (continued)				
Leasehold improvements:				
Beginning of the year	-	24 775	-	-
Additions	578	4 666	-	-
Amortisation	(65)	(29 441)	-	-
	513	-	-	-
10. OTHER FINANCIAL ASSETS				
Investment in controlled entities - at cost	-	-	16 564 639	16 564 639
11. INTANGIBLES				
Patents at cost	19 654 009	19 654 009	3 381 699	3 381 699
Accumulated amortisation	(4 132 807)	(3 149 957)	(710 800)	(541 585)
	15 521 202	16 504 052	2 670 899	2 840 114

The Directors have determined that patents at cost totalling $15 521 202 (2003: $16 504 052) are not recorded in excess of recoverable amount by reference to expected cash flows resulting from the successful manufacture and sale of the consolidated entity's products.

The consolidated entity has entered into the following agreements with distributors and manufacturers of its products. The expected cash flows used in the determination of recoverable amount have incorporated the expected outcomes from these agreements.

- Distribution Agreement with Personna Medical, a division of American Safety Razor Company, as an exclusive distributor of the OMI Safety Scalpel in North America, Mexico and the Caribbean.
- Distribution Agreement with Device Technologies Australia Pty Limited as an exclusive distributor of the OMI Safety Scalpel in Australia and New Zealand.
- Scalpel Manufacturing Agreement with WUXI XINDA Medical Device Co Ltd in China.
- Distribution Agreement with Terumo Corporation (Australia) as OMI's exclusive retractable syringe distributor in Australia, New Zealand and the Pacific Islands.
- Heads of Agreement with Terumo Medical Corporation (USA) with a view to entering into a Distribution Agreement whereby Terumo Medical Corporation will be appointed OMI's exclusive distributor for its retractable syringe in the United States, Canada and Mexico.
- Syringe Manufacturing Agreement with China Medical Group, Inc. for manufacture of the retractable syringe and distribution in China.
- Heads of Agreement with B.Braun with a view to appointing B.Braun as exclusive distributor of OMI's Safe IV Access Valve in Australia, New Zealand and South East Asia.
- Safe IV Access Valve manufacturing Agreement with Vital Care Group, Inc. for the manufacture of OMI's Safe IV Access Valve.

At the date of this report the reliability of the expected cash flows associated with the determination of the recoverable amounts is dependent upon a number of future events including moving from the Heads of Agreement with Terumo (USA) to a full distribution agreement for the retractable syringe in the United States, obtaining FDA approval of the retractable syringe in the United States, obtaining CE approval for the retractable syringe and safety scalpel in Europe, entering into a full Distribution Agreement with B.Braun for the distribution of the OMI IV Access Valve and the ability of manufacturers to fulfil their obligations under the Manufacturing Agreements. Whilst the Directors are confident of the successful outcome of these future events, the outcomes represent inherent uncertainties in relation to the recoverable amount of the patents. Accordingly no adjustment has been made to the carrying value as represented by the cost of the patents and deferred research and development costs net of accumulated amortisation. The possible effects on the financial report if the outcome of these uncertainties were known may be material.

	Consolidated Entity		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
12. OTHER NON-CURRENT ASSETS				
Deferred research and development costs	1 058 246	962 803	150 893	150 893
Movements during the year:				
Opening balance	962 803	924 425	150 893	150 893
Additions	95 443	247 494	-	-
Amounts written off	-	(209 116)	-	-
Closing balance	1 058 246	962 803	150 893	150 893
13. PAYABLES				
Trade accounts payable and accruals (unsecured)	131 722	45 671	20 904	7 897
Included in trade accounts payable are amounts payable in US dollars translated at the spot rate at year end	29 719	-	-	-
14. INTEREST BEARING LIABILITIES				
Current				
Hire purchase	6 622	14 240	-	-
Non-current				
Hire purchase	28 712	27 614	-	-

Hire purchase liabilities are fully secured by applicable hire purchase asset.

15. PROVISIONS				
Current				
Employee benefits	54 021	45 026	-	-
Non-Current				
Employee benefits	11 194	5 440	-	-
Aggregate employee entitlements	65 215	50 466	-	-

The consolidated entity had 13 (2003: 15) full time or full time equivalent employees at 30 June 2004.

	Consolidated Entity		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
16. CONTRIBUTED EQUITY				
Issued shares:				
29 530 626 (2003: 26 353 726) fully paid ordinary shares	32 973 508	28 063 813	32 973 508	28 063 813
Shares issued during the period:				
Opening balance	28 063 813	25 047 097	28 063 813	25 047 097
1 000 000 ordinary shares at $3.11 each	-	3 110 000	-	3 110 000
3 176 900 ordinary shares at $1.55 each	4 924 195	-	4 924 195	-
Share issue costs	(14 500)	(93 284)	(14 500)	(93 284)
	32 973 508	28 063 813	32 973 508	28 063 813

Ordinary shares have equal rights to vote, participate in dividends and share in the distribution of surplus assets in the event of the entity winding up.

17. ACCUMULATED LOSSES				
Balance at beginning of year	(6 531 369)	(4 339 333)	(1 277 587)	(902 409)
Net profit/(loss)	(3 680 581)	(2 192 036)	(393 861)	(375 178)
Balance at end of year	(10 211 950)	(6 531 369)	(1 671 448)	(1 277 587)
18. TOTAL EQUITY				
Balance at beginning of year	21 532 444	20 707 764	26 786 226	24 144 688
Total changes in equity recognised in the Statement of Financial Performance	(3 695 081)	(2 285 320)	(408 361)	(468 462)
Transactions with owners as owners: - contributions of equity	4 924 195	3 110 000	4 924 195	3 110 000
Balance at end of year	22 761 558	21 532 444	31 302 060	26 786 226
19. EARNINGS PER SHARE				
Basic earnings per share	(13.96) cents	(8.57) cents		
Diluted earnings per share	(13.96) cents	(8.57) cents		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	26 362 430	25 572 904		
Net profit/(loss) used in calculating basic earnings per share	(3 680 581)	(2 192 036)		

There are no potential ordinary shares that are dilutive at year end

	Consolidated Entity		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$

20. AUDITORS' REMUNERATION

Services provided by the parent entity's auditor:

Assurance services				
Audit and review of financial reports	20 000	17 500	20 000	17 500
Other services				
Compliance with regulatory requirements	12 933	10 526	12 933	10 526
	32 933	28 026	32 933	28 026

21. DIRECTOR DISCLOSURES

Directors

The following persons were Directors of the parent entity during the financial year:

Name of Director	Title
Dr J Taske	Chairman – Non- executive Director
B Kiehne	Joint Managing Director
M Hayne	Non-executive Director
L Litzow	Non-executive Director, (appointed 22 July 2003)
K Taske	Joint Managing Director, (appointed 22 January 2004)
D Jenkins	Non-executive Director, (resigned 17 November 2003)

Principles used to determine the nature and amount of remuneration

Directors' fees

Fees to Directors reflect the demands which are made on, and the responsibilities of, the Directors. Directors' fees are reviewed annually by the Board and are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $500,000 in aggregate plus statutory superannuation.

Executive Directors' pay

The combination of Directors' fees, salary, non-cash benefits and superannuation make up the Executive Directors total remuneration. The salary component of Executive Directors' remuneration package is reviewed annually to ensure the Executives pay is competitive with the market. Executive directors' pay is not directly linked to the financial performance of the consolidated entity.

Details of remuneration

Details of the nature and amount of each major element of the emoluments of each Director of the company and the officers of the company and the consolidated entity are:

Director	Director's Fee	Salary	Non-Cash Benefits	Superannuation	Options	Total
Dr J Taske	47 525	-	-	270	-	47 795
B Kiehne	24 000	151 513	12 221	15 796	-	203 530
M Hayne	34 000	-	-	-	-	34 000
L Litzow	34 000	-	-	-	-	34 000
K Taske	10 000	78 652	4 324	7 926	-	100 902
D Jenkins	2 000	-	-	-	-	2 000
Total	151 525	230 165	16 545	23 992	-	422 227

21. DIRECTOR DISCLOSURES (continued)

Total remuneration of Directors for the year ended 30 June 2003 is set out below. Information for individual directors is not shown as this is the first financial report prepared since the issue of AASB 1046 Directors and Executives Disclosures by Disclosing Entities.

	Director's Fee	Salary	Non-Cash Benefits	Superannuation	Options	Total
Total	116 000	126 181	16 547	11 356	-	270 084

Shareholdings

The number of ordinary shares in the parent entity held during the financial year by each Director and their personally related entities is set out below:

Name	Balance at the start of the year	Received on the exercising options	Net purchased / (sold)	Other changes	Balance at the end of the year
Dr J Taske	687 233	-	9 675	-	696 908
B Kiehne	9 838 710	-	(1 043 043)	-	8 795 667
M Hayne	83 000	-	14 450	-	97 450
L Litzow	-	-	24 653	-	24 653
K Taske	-	-	3 225	419 900 *	423 125
D Jenkins	375 600	-	-	(375 600) *	-
Total	10 984 543	-	(991 040)	44 300	10 037 803

* Movement recorded to recognise appointment / resignation as a Director

22. SPECIFIED EXECUTIVES DISCLOSURES

Executives

The following persons were executives with the greatest authority for the strategic direction and management of the consolidated entity ("specified executives") during the financial year:

Name of Specified Executive	Title
K Taske	Joint Chief Executive Officer (Appointed 1 December 2003)
A Horstman	Design Manager and Director of OMI Research Pty Ltd
W Archibald	General Manager (Resigned June 2004)
J Moylan	International Business Manager (Resigned June 2004)

The consolidated entity had no other employees during the year who meet the definition of specified executive.

22. SPECIFIED EXECUTIVES DISCLOSURES (continued)

Principles used to determine the nature and amount of remuneration

Executive pay

The combination of salary, non-cash benefits and superannuation make up the Executives total remuneration. Base pay for the Executive is reviewed annually to ensure the Executives pay is competitive with the market.

Specified Executives	Salary	Non-Cash Benefits	Superannuation	Options	Total
K Taske #	31 228	1 730	2 811	-	35 769
A Horstman	60 766	2 340	5 469	-	68 575
W Archibald	133 624	4 596	12 026	-	150 246
J Moylan	122 484	9 846	11 024	-	143 354
Total	348 102	18 512	31 330	-	397 944

Remuneration during the period from 1 December 2003 to being appointed a Director on 22 January 2004.

Comparative information for specified executives is not shown as this is the first financial report prepared since the issue of AASB 1046 Directors and Executives Disclosures by Disclosing Entities.

Shareholdings

The number of ordinary shares in the parent entity held during the financial year by each Executive of the consolidated entity is set out below:

Name	Balance at the start of the year	Received on the exercising options	Purchased / (sold)	Other changes	Balance at the end of the year
K Taske	419 900	-	-	(419 900)#	-
A Horstman	2 000	-	-	-	2 000
W Archibald	50 133	-	-	(50 133) *	-
J Moylan	-	-	-	-	-
Total	472 033	-	-	(470 033)	2 000

* Movement recorded to recognise resignation as an employee

Movement recorded to recognise transfer to specified director

23. ULTIMATE PARENT ENTITY

The ultimate parent entity is Occupational & Medical Innovations Limited.

24. SEGMENT INFORMATION

The consolidated entity operates predominantly in one business segment being the development of safety equipment used in the medical industry, and in one geographical segment, being Australia.

The consolidated entity purchased inventory from China during the financial year at a cost of $189 800 (2003:nil) and made sales to its United States of America distributor totalling $352 290 (2003:nil).

25. CREDIT RISK EXPOSURE

The maximum credit risk exposure of financial assets is represented by the carrying amount of assets recognised in the statement of financial position net of any provisions for losses. The consolidated entity had no significant concentration of credit risk with any single counter party or group of counter parties.

26. RELATED PARTY TRANSACTIONS

(i) Transactions with Directors and their director-related entities during the year on normal commercial terms.

(a) Legal fees paid to Nicholson's Solicitors, a firm associated with Mr M Hayne, totalling $35 744 (2003: $138 263);

(b) Wages paid to relatives of Mr B Kiehne totalling $26 310 (2003: $30 717);

(c) Secretarial and other services provided by Weir River Grazing Co, a company associated with Mr L Litzow, totalling $11 747 (2003 : $nil);

(d) Secretarial and other services provided by Equity Results Pty Ltd, a company associated with Mr D Jenkins, totalling $12 765 (2003: $78 400); and

(e) Vehicle servicing costs paid to Motorama Group, a company of which a former Director – Mr W Grady, is a Director, totalling $nil (2003: $1 880).

(ii) Transactions within the wholly-owned group

All transactions within the wholly-owned group have been eliminated.

27. CONTROLLED ENTITIES

Controlled Entities of Occupational & Medical Innovations Limited	Country of Incorporation	Percentage of Shares Held	
		2004	2003
OMI Research Pty Ltd	Australia	100%	100%
Jireh Tech Pty Ltd	Australia	100%	100%
OMI Inc	USA	100%	100%
OMI Manufacturing Pty Ltd	Australia	100%	100%
OMI Properties Pty Ltd	Australia	100%	100%

Controlled entity acquired in the year ended 30 June 2003

OMI Properties Pty Ltd was incorporated on 3 June 2003 at a cost of $955. The company has not traded since incorporation.

28. FINANCIAL INSTRUMENTS

The consolidated entity manages its exposure to interest rate fluctuations through a formal set of policies and procedures approved by the board. The consolidated entity does not engage in any significant transactions which are speculative in nature.

Exposures of the consolidated entity to interest rate risk on financial assets and liabilities are summarised as follows:

2004	Fixed Interest Rate Maturing					
	Non-Interest Bearing	1 Year or Less	1 to 5 Years	Floating Interest Rate	Total	Weighted average effective interest rate
	$	$	$	$	$	
Financial Assets:						
Cash	11	4 000 000	-	1 631 087	5 631 098	5.01%
Receivables	99 899	-	-	-	99 899	-
	99 910	4 000 000	-	1 631 087	5 730 997	
Financial Liabilities:						
Trade accounts payable	131 722	-	-	-	131 722	-
Hire purchase liabilities	-	6 622	28 712	-	35 334	10.09%
	131 722	6 622	28 712	-	167 056	
Net Financial Assets/ (Liabilities)	(31 812)	3 993 378	(28 712)	1 631 087	5 563 941	

2003	Fixed Interest Rate Maturing					
	Non-Interest Bearing	1 Year or Less	1 to 5 Years	Floating Interest Rate	Total	Weighted average effective interest rate
	$	$	$	$	$	
Financial Assets:						
Cash	10	3 576 229	-	178 607	3 754 846	4.37%
Receivables	78 368	-	-	-	78 368	-
	78 378	3 576 229	-	178 607	3 833 214	
Financial Liabilities:						
Trade accounts payable	45 671	-	-	-	45 671	-
Hire purchase liabilities	-	14 240	27 614	-	41 854	8.70%
	45 671	14 240	27 614	-	87 525	
Net Financial Assets/ (Liabilities)	32 707	3 561 989	(27 614)	178 607	3 745 689	

29. NOTES TO STATEMENTS OF CASH FLOWS

(i) For the purposes of the Statements of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the year as shown in the Statement of Cash Flows, is reconciled to the related items in the statement of financial position as follows:

(ii) Reconciliation of Net Cash Provided by Operating Activities to Operating Profit After Income Tax

	Consolidated Entity		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
Net profit/(loss)	(3 680 581)	(2 192 036)	(393 861)	(375 178)
Depreciation	136 390	49 450	83	73
Amortisation of leasehold improvements	65	29 441	-	-
Amortisation of patents	982 850	982 850	169 215	169 215
Loss on disposal of non-current assets	5 868	-	-	-
Write down of research & development costs	-	209 116	-	-
Changes in assets and liabilities:				
Trade debtors	(47 639)	(6 537)	-	-
Other current assets	4 883	(36 221)	35 533	(36 221)
Prepayments	(184 351)	124 780	-	300
Trade creditors and accruals	85 938	(28 794)	13 007	(33 880)
Provision for employee entitlements	14 749	4 372	-	-
	(2 681 828)	(863 579)	(176 023)	(275 691)

(iii) The consolidated entity has no credit standby arrangements as at 30 June 2004. Fully drawn loan facilities in the form of hire purchase arrangements are disclosed in note 30.

30.COMMITMENTS FOR EXPENDITURE

Operating leases in relation to plant and equipment				
Minimum lease payments under non-cancellable operating leases according to the time expected to elapse to the expected date of payment				
Not later than one year	1 228	-	-	-
Later than one year and not later than five years	4 706	-	-	-
	5 934	-	-	-
Hire purchase				
Minimum payments under hire purchase agreements due:				
Not later than one year	10 875	17 265	-	-
Later than one year and not later than five years	33 740	30 926	-	-
	44 615	48 191	-	-

	Consolidated Entity		Parent Entity	
	2004	2003	2004	2003
	$	$	$	$
30.COMMITMENTS FOR EXPENDITURE (continued)				
Future finance charges:				
Not later than one year	(4 253)	(3 024)	-	-
Later than one year and not later than five years	(5 028)	(3 313)	-	-
Hire purchase liability	35 334	41 854	-	-

Hire purchase liabilities relate to the acquisition of motor vehicles.

31. PRINCIPAL PLACE OF BUSINESS

Occupational & Medical Innovations Ltd is a listed public company incorporated in Australia with its registered office and principal place of business at Unit 1/12 Booran Drive, Slacks Creek, Queensland. The principal activities of the company are disclosed in the Directors' Report.

32. EVENTS SUBSEQUENT TO BALANCE DATE

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company and consolidated entity, the results of those operations or the state of affairs of the company and consolidated entity in future financial years.

33. EMPLOYEE OPTION PLAN

On 21 June 2004 the parent entity established the Occupational & Medical Innovations Employee Option Plan to enable the Board to offer options to acquire ordinary shares in the parent entity to employees, contractors and other key contributors to the consolidated entity's business, at the discretion of the Board.

As at 30 June 2004 no options have been issued under the employee option plan.

Key terms and conditions of the plan are as follows:

For the first issue of options under the plan one third of the options will vest on 7 June 2005, a further third will vest on 7 June 2006 and the balance will vest on 7 June 2007. The last exercise date is five years from the date of issue (subject to any adjustment under the plan).

Options will lapse on the earlier of:

- the last exercise date
- a determination of the plan committee that the options should lapse due to dismissal, removal from office, termination of contract, fraud, defalcation, gross misconduct or any act which brings the consolidated entity or any body corporate within the consolidated entity into disrepute
- unless otherwise determined by the plan committee, the date which is 30 days after ceasing to be an employee or termination of contract.

34. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Australian Equivalents to International Financial Reporting Standards (AIFRS) will be adopted in the financial report for the year ending 30 June 2006 and the comparative information presented in that report for the year ending 30 June 2005. In preparation for the transition, opening balances as at 1 July 2004 for the comparative year ending 30 June 2005 will be converted to AIFRS in accordance with new accounting standard AASB 1 "First Time Adoption of Australian International Financial Reporting Pronouncements".

The transition to AIFRS is being managed through the following measures:

1. Examination of impacts to isolate those areas where changes are required to adjust the Company's information systems and reporting style to comply with the new requirements.
2. Consultation with our financial advisors and auditors to ensure acceptance of changes at a review level.
3. Involvement of the Board to ensure understanding at the highest level so as to allow decisions to be made with full awareness of the effect on the Company's reporting requirements.
4. Implementing changes required after careful examination and planning of the processes to arrive at the optimum outcome.
5. Instituting appropriate staff training to achieve an appropriate level of understanding and implementation.

The key differences in accounting policies expected to arise from adoption of AIFRS are listed as follows:

Income Tax

AASB 112 "Income Tax" requires all income tax balances to be calculated using the comprehensive balance sheet liability method. Deferred tax items will be calculated by comparing the difference in carrying amounts to tax bases for all assets and liabilities and multiplying this by the tax rates expected to apply to the period when the asset is realised or the liability settled. Recognition of the resulting amounts are subject to some exceptions, but generally deferred tax balances must be calculated for each item in the statement of financial position. Deferred tax assets will only be recognised where there exists the probability that future taxable profit will be available to recognise the asset.

Property, Plant & Equipment

Property, plant and equipment is subject to an impairment test when there is an indication that impairment exists by reference to internal and external market factors. Any item of property, plant & equipment which is impaired must be written down to its recoverable amount. The amount of the impairment write down for assets carried at cost will be expensed through the statement of financial performance.

Research and Development

Capitalised items of research costs that have been internally generated must be derecognised under the new standard. Any further research costs must be expensed in the year they are incurred.

Qualifying expenditure in relation to development phase costs may be capitalised and impairment tested annually until the related asset is complete at which time they will be amortised over the useful life of the related asset.

Patents

All patents have been assessed as having a finite useful life. Patents will continue to be amortised over the useful life of the asset and also be subject to an annual impairment test.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Occupational & Medical Innovations Limited (the company) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

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

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

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

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

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of Occupational & Medical Innovations Limited is in accordance with:

(a) The Corporations Act 2001, including:
(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Inherent Uncertainty Regarding the Recoverable Amount of Patents

Without qualification to the opinion expressed above, attention is drawn to the following matter.

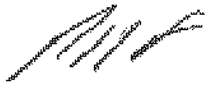
As disclosed in note 11 to the financial statements the Directors have determined that patents at cost totalling $15 521 202 (2003: $16 504 052) are not recorded in excess of recoverable amount by reference to expected cash flows resulting from the successful manufacture and sale of the consolidated entity's products.

The consolidated entity has entered into the following agreements with distributors and manufacturers of its products. The expected cash flows used in the determination of recoverable amount have incorporated the expected outcomes from these agreements.

- Distribution Agreement with Personna Medical, a division of American Safety Razor Company, as an exclusive distributor of the OMI Safety Scalpel in North America, Mexico and the Caribbean.
- Distribution Agreement with Device Technologies Australia Pty Limited as an exclusive distributor of the OMI Safety Scalpel in Australia and New Zealand.
- Scalpel Manufacturing Agreement with WUXI XINDA Medical Device Co Ltd in China.
- Distribution Agreement with Terumo Corporation (Australia) as OMI's exclusive retractable syringe distributor in Australia, New Zealand and the Pacific Islands.
- Heads of Agreement with Terumo Medical Corporation (USA) with a view to entering into a Distribution Agreement whereby Terumo Medical Corporation will be appointed OMI's exclusive distributor for its retractable syringe in the United States, Canada and Mexico.
- Syringe Manufacturing Agreement with China Medical Group, Inc. for manufacture of the retractable syringe and distribution in China.
- Heads of Agreement with B.Braun with a view to appointing B.Braun as exclusive distributor of OMI's Safe IV Access Valve in Australia, New Zealand and South East Asia.
- Safe IV Access Valve manufacturing Agreement with Vital Care Group, Inc. for the manufacture of OMI's Safe IV Access Valve.

At the date of this report the reliability of the expected cash flows associated with the determination of the recoverable amounts is dependent upon a number of future events including moving from the Heads of Agreement with Terumo (USA) to a full distribution agreement for the retractable syringe in the United States, obtaining FDA approval of the retractable syringe in the United States, obtaining CE approval for the retractable syringe and safety scalpel in Europe, entering into a full Distribution Agreement with B.Braun for the distribution of the OMI IV Access Valve and the ability of manufacturers to fulfil their obligations under the Manufacturing Agreements. Whilst the Directors are confident of the successful outcome of these future events, the outcomes represent inherent uncertainties in relation to the recoverable amount of the patents. Accordingly no adjustment has been made to the carrying value as represented by the cost of the patents. The possible effects on the financial report if the outcome of these uncertainties were known may be material.

The carrying value of the patents also provide the basis of support for the recoverable value of the investments in controlled entities recorded in the parent entity at $16,564,639 (2003: $16,564,639).



PKF
A Brisbane Partnership
Chartered Accountants
Brisbane, 23 September 2004.

R Q Cole
Partner

Shareholders information

Twenty Largest Shareholders

Name	No. of Ordinary Shares Held	% of Issued Share Capital
Mr Bruce Leigh Kiehne	4,242,573	14.37
Mrs Vennessa Gay Kiehne	3,703,323	12.54
Critune Pty Ltd	2,705,000	9.16
CB Nurcombe Engineering Pty Ltd	1,036,671	3.51
Hambap Pty Ltd <Keith Taske Family A/C>	423,125	1.43
Ms Marion Walker	423,125	1.43
Dr John Taske	348,125	1.18
Mr Leonard Snowden Cray	338,756	1.15
Mr Lee Griffiths	331,584	1.12
Mr John Taske & Mrs Tina Taske <Taske Super Fund A/C>	301,450	1.02
Mr Andrew George Maluish & Mrs Annette Elizabeth Maluish	288,940	0.98
Mrs Linda Yvonne Kiehne	227,336	0.77
Mr Desmond Lance Kiehne	224,811	0.76
Australian Mutual Growth Fund Pty Ltd	213,506	0.72
Lawy Pty Ltd	201,284	0.68
Ms Maria Genn <Genn Superannuation Fund A/C>	132,000	0.45
Dr Paul Graham Millican & Mrs Beverley Ann Millican <P G Millican P/L Super A/C>	116,225	0.39
Mr Michael Terranova	108,225	0.37
Benbrook Superannuation Pty Ltd <Benbrook Super Fund A/C>	103,225	0.35
Mr Donald Bruce Stewart	83,600	0.28
Report Total	**15,552,884**	**52.67**
Remainder	**13,977,742**	**47.33**
GRAND TOTAL	**29,530,626**	**100.00**

Substantial Shareholders as at September 17 2004

Name	Units	%
Mr Bruce Leigh Kiehne	4,242,573	14.37
Mrs Vennessa Gay Kiehne	3,703,323	12.54

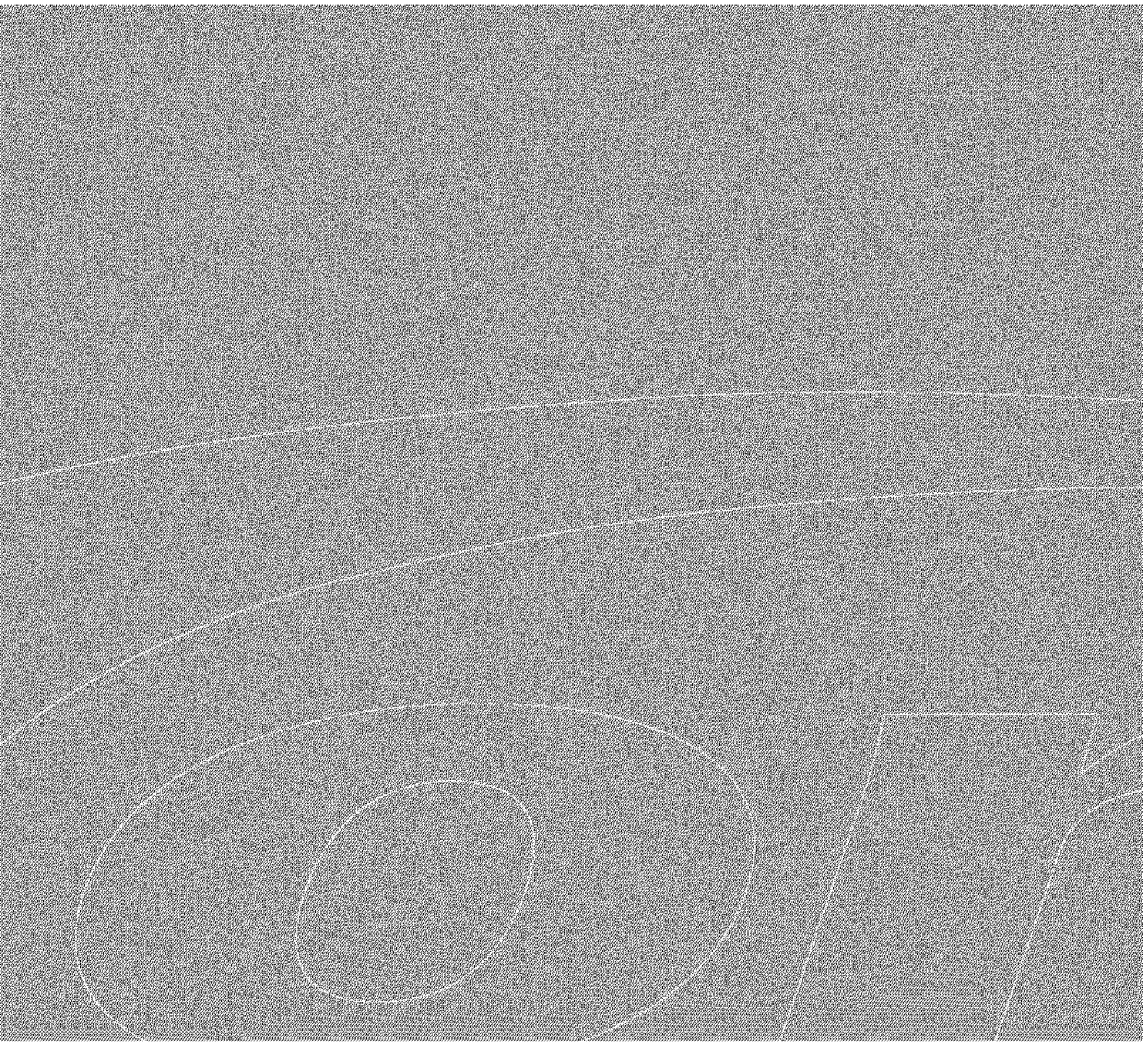
Distribution of Listed Shares at September 21 2004

	1 to 1000	1001 to 5000	5001 to 10000	10001 to 100000	100001 to (Max)	Total	Less Than M/parcel 275
Holders							
Issuer	185	448	127	91	11	**862**	27
Chess	518	951	335	199	8	**2011**	91
Total	703	1399	462	290	19	**2873**	118
Units							
Issuer	121837	1273342	939679	2005305	6197449	**10537612**	5250
Chess	339534	2724828	2360582	4307256	9260814	**18993014**	15702
Total	461371	3998170	3300261	6312561	15458263	**29530626**	20952

Shareholdings

The number of ordinary shares in the parent entity held during the financial year by each Director and their personally related entities as at September 17 is set out below:

Dr J Taske	696 908
B Kiehne	8 795 667
M Hayne	97 450
L Litzow	24 653
K Taske	423 125



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Subsidiary companies

OMI Research Pty Ltd ABN 41 092 084 805
OMI Manufacturing Pty Ltd ABN 74 101 137 464
OMI Properties Pty Ltd ABN 73 104 967 679
Jireh Tech Pty Ltd ACN 082 897 621