RITRACT LIMITED

(ABN 28 106 353 253)

ANNUAL REPORT

30 JUNE 2005

Corporate Directory

Directors

Mr. Michael Boyd – Non executive Chairman
Mr. Rupert Northcott – Managing Director
Mr. Tony Fitzgerald – Non executive Director
Dr. Andrew Walker – Non executive Director

Advisory Committee

The Hon. Dr. Michael Wooldridge
Dr. Derrick Beech
Dr. Bruce Ingram

Company Secretary

Mr John Bell

Registered Office

Level 17, 201 Miller Street
North Sydney
NSW 2060

Principal Place of Business

Level 17, 201 Miller Street
North Sydney
NSW 2060
Telephone: 61 2 8923 2512
Facsimile: 61 2 8923 2525

Postal Address

Level 17, 201 Miller Street
North Sydney
NSW 2060

Auditors

HLB Mann Judd
15 Rheola Street
WEST PERTH WA 6005

Share Registry

Advanced Share Registry Services
Level 7, 200 Adelaide Terrace
PERTH WA 6000
Telephone: 61 8 9221 7288

Bankers

National Australia Bank Limited

Stock Exchange Listing

Ritract Limited shares are listed on the Australian Stock Exchange.
ASX Code: RTL

Solicitors

Steinepreis Paganin
Lawyers and Consultants Level 14, Citibank House
37 St Georges Terrace
Perth WA 6000

Website and e-mail address

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Chairman's report

Dear Shareholder

I am pleased to report a number of exciting achievements during the past 12 months for Ritract.

The Ritract Safety Syringe was listed on the Register of Therapeutic Goods (TGA) to permit marketing of its product in Australia and the company's intellectual property portfolio now includes four patents which have all been granted in both Australia and the USA.

Also of great significance was the arrival in May 2005 of the first commercial batch of Ritract Safety Syringes. With commercial production underway, this allowed us to commence a clinical evaluation trial at Australia's leading centre for infection control, St Vincent's Hospital, Sydney.

Our market research indicates that the medical community is increasingly adopting safety products, creating substantial global demand for safety devices, and a strong opportunity for Ritract. Hence we continue to work with our manufacturing partner, Shandong Weigao Group in China, to ensure rapid production of syringes, to meet this anticipated demand.

Another key strength, and competitive advantage, of the Company is our people. In the past year, we have assembled a handpicked team from across the medical device industry, with the requisite skills and experience to build and deliver on our business.

The Board is confident that the strategy of developing a range of syringes will significantly influence the take-up of Ritract's products by hospitals and medical clinics. We are in a unique situation where we will be able to offer automatic safety features across a number of needle-based products.

Looking ahead, the Board sees many exciting opportunities for the Company. The progress achieved to date has been no accident and through the same careful management we believe we are in an ideal position to take advantage of new opportunities as they arise.

On behalf of the Board, I would like to thank shareholders for their continued support of the company and to congratulate every member of the Ritract team for their contribution over the past 12 months. They have responded confidently to the challenges that have arisen and remain firmly focussed on our core vision.

Yours sincerely

Michael Boyd

Chairman

Director's report

Review of Operations

The last year has been an exciting one for Ritract with significant progress made across all fronts. The first commercial batch of the Ritract Safety Syringe was received during the year and production of the 3ml syringe is ongoing. Products designed around our patented Needlesleeve technology are in the final stages of design and development and will commence clinical trials shortly. Ritract has been granted significant patents for both the safety syringe and Needlesleeve in key markets such as the USA. With the appropriate regulatory approvals in place, Ritract is now set to launch its products into International markets eager to receive them.

The Ritract Safety Syringe

The last year has been a strong year of learning and achievement for the Company. On the one hand there has been disappointment that certain targets were not achieved in the hoped for timeframe but this is countered by the very strong sense that our development and commercialisation plans have come together to position Ritract with the potential to become a leading safety syringe company.

The team at Ritract has remained determined in its resolve to "make a difference" in combating the problem of needlestick injury and to provide products to healthcare professionals that they actually prefer to use because the product functionality complements the way they work.

This year we received confirmation that our product is the right product at the right time:

1. The Ritract Safety Syringe became available in May 2005. It is the only commercially available Australian automatic safety syringe and is the world's first commercially available automatic safety syringe offering the healthcare worker full control over needle retraction and the ability to use any standard needle.
2. Ritract received the results from two clinical evaluation trials which reported that the syringe is simple to use and works well in a clinical setting. Those involved believe that using the Ritract syringe will reduce the incidence of needlestick injury and recommended it should be made available at the institution.
3. The Company has been represented at a number of trade shows during the year and attracted strong interest not only from healthcare professionals keen to trial the product at their facility but also strong interest from distributors around the world keen to sell the product, including major international corporations.

To further the company's vision of virtually eliminating needlestick injuries in the healthcare environment and in direct response to market feedback, Ritract made an important strategic decision to commit to the development of a core range of sizes for the Ritract Safety Syringe. The range being developed includes 1ml, 3ml, 5ml and 10ml syringes.

This decision to provide a range of sizes will allow healthcare workers to give safe injections in almost any situation. This will enable a hospital or general practice clinic or nursing home to implement an effective safety policy that mandates the use of safety devices in all clinical settings. Ritract's safety product range gives us the opportunity to promote policy change that will help to protect all healthcare workers.

The decision to develop a range of products also provided us the opportunity to further refine and enhance the overall design of the Ritract safety syringe. These improvements focused on making the product easier and more cost effective to manufacture. The decision to move ahead with our range of safety syringes has also meant a significant increase in our investment in tooling with 22 molds in active development for the syringe range.

To move our products into their commercial phase, Ritract has placed an initial order for 1 million Ritract safety syringes with our manufacturing partner the Shandong Weigao Group. This initial order provides the stock necessary to continue with our successful clinical trial and product evaluation programs in Australia and to launch this program in key international markets. This initial order also allows Ritract to bid for government tenders and begin selling product to local hospitals and practices.

Needlesleeve

The development of our Needlesleeve technology is progressing well, with design work on a Needlesleeve hypodermic needle nearing completion. Needlesleeve was internationally recognized in 2005, receiving the prestigious Frost & Sullivan Award for Technology Leadership and Innovation (2005).

Patent Protection

Ritract has aggressively pursued patent protection for all of its intellectual property. The patents granted to date, covering both the Ritract safety syringe and our Needlesleeve technology, are of paramount importance in the realisation of the full value of Ritract's intellectual property in all of the world's key markets.

During the year the first of four syringe patents was granted in Australia, the United States and South Africa. This patent is an important addition to the existing portfolio of patents held by the Company, advancing the Company's intellectual property strategy to acquire safety technology in the medical devices sector. Ritract's intellectual property portfolio now comprises four patents (1 safety syringe, 3 Needlesleeve), all of which have been granted in Australia and the United States. In addition, our IP portfolio includes the trademark Ritract®, a registered trademark. Further patents for the Ritract safety syringe are pending in 31 countries including key countries in Europe and Asia. Over the coming months the Patent Offices in these markets are expected to follow the lead set by Australia and the United States.

The Team

This has been an intense year for the Ritract team which now includes very experienced and competent managers with particular skills in the high volume plastics manufacturing arena.

Tom Davenport heads our Research and Development unit which uses the very latest software design tools to create, refine and test our syringe designs before they are submitted to the tool maker. Working alongside Tom is Graeme Vincent who is an expert in mold design and construction having previously held positions at ResMed.

Based in Singapore, Patrick Chng our Manufacturing Manager provides essential liaison between our Singapore toolmakers and our Chinese manufacturing partners. Patrick has previously worked in the Research and Development team at Beckton Dickinson, the worlds largest syringe maker, and was also responsible for building a syringe manufacturing plant with a production capacity of over 200 million units per annum.

Troy Kohut, based in Canada and responsible for our sales and marketing activities, has formed relationships with over 15 potential distribution partners in key markets around the world and held discussions with major international medical device companies to create a pathway to market for Ritract products globally.

Market Environment

Demand for safety technology is growing around the world. Lead by regulatory initiatives in the United States which mandate the use of the best safety technology available, other countries, including Canada, the United Kingdom, Spain, France and Australia have begun to review occupational health and safety requirements related to safety injection technology. Ritract expects that these countries, which are already using safety injection technologies in several healthcare areas, will soon take the necessary steps to mandate the use of safety devices.

In the United States, The Needlestick Safety and Prevention Act was signed into law on November 6, 2000. This law and the corresponding changes to the OSHA Bloodborne Pathogens Standard, mandate the use of "engineering controls", including sharps disposal containers, self-sheathing needles, safer medical devices, such as sharps with engineered sharps injury protections and needleless systems, that isolate or remove the bloodborne pathogens hazard from the workplace. Additional requirements for maintaining a sharps injury log, reviewing new technologies regularly, and involving of non-managerial healthcare workers in evaluating and choosing devices are also mandated.

To date, one of the most significant factors limiting the adoption of safer medical devices, including safety syringes, as mandated in the United States has been a lack of products that are easy to use, effective in protecting the healthcare worker and affordable to healthcare institutions. Healthcare facilities have put into place procedural changes to reduce the likelihood of needlestick injuries and are now looking for better products to reduce or eliminate the remaining risk. At Ritract, we are convinced that our products, which provide healthcare workers and hospitals with solutions to each of these challenges by providing products that offer effective safety, are easy to use and will be affordable, are coming to market at an ideal time.

The Path to Market

For Ritract's safety syringe range and products developed using our Needlesleeve technology, the path to market follows a well-established course. Once regulatory compliance has been received for a product in a particular market, we will move to a clinical evaluation phase. Ritract is working with leading healthcare facilities to test and evaluate the way our products function in clinical settings, ensuring that they meet the demands of doctors, nurses and other clinicians.

Upon the successful conclusion of product trials, we will then proceed to submit our products to tender as required in each of our target markets. While the specifics of this process differ from market to market, the process will require Ritract to demonstrate not only our ability to produce a sufficient supply of product but also our ability to deliver products to the market.

To ensure effective distribution, we need to establish distribution networks in each market we are targeting. To this end, the last year has been spent laying the foundations for a global distribution network, with more than 15 local, regional and global companies expressing interest in selling Ritract's products. As commercial production expands, Ritract's network will be ready to ensure that our products reach our customers around the world.

The Market for Ritract's Safety Syringe

As we move beyond the design and development phase, Ritract is now prepared to begin the global commercialisation of our safety syringe. We have identified the medical procedures that can be made safer with our safety syringe, including intramuscular and subcutaneous injections. In addition, venepuncture, intra-articular injections and aspirations also represent market opportunities.

Intramuscular and subcutaneous injections account for 10 to 30 percent of all syringe usage in the developed world, totalling as many as four to five billion procedures annually. This is the core target market for the Ritract safety syringe. By identifying these applications, we are now able to concentrate our sales and marketing efforts to effectively reach our potential customers.

The Market for Needlesleeve

Unlike the target markets for Ritract's Safety Syringe, the markets for our Needlesleeve technology are less well defined. For many potential products, Needlesleeve will create the first opportunity to apply a level of safety to devices that continue to cause serious injury to healthcare workers. As a result, we are currently exploring several paths to market for Needlesleeve's various product applications.

Ritract's Needlesleeve technology will be able to reduce needlestick injuries caused by the majority of hollow bore needle products including winged needles, IV stylets, phlebotomy needles and traditional hypodermic needles in a variety of applications. The last year has been spent working to identify the market potential for these applications and working with our engineering and product development teams to assess the "manufacturability" of those products we feel have significant market potential.

Product Overview

Ritract's mission is to develop and commercialise innovative, patented medical products and technologies that are safe, effective and affordable. To this end, Ritract has aggressively pursued the development of auto-retractable user controlled safety syringe technology and has acquired the Needlesleeve safety needle technology to create a range of safety products designed to eliminate needlestick injuries from the healthcare workplace.

Ritract Safety Syringe

A simple solution to an everyday risk

Working closely with clinicians we have successfully developed a safety syringe that addresses the hurdles encountered by earlier generations of safety devices. The Ritract Safety Syringe is the world's first commercially available automatic retractable safety syringe that allows users to select a standard luer lock needle of choice and to have full control over the needle retraction process.

The Ritract Safety Syringe works the same way as a traditional syringe, but virtually eliminates the risk of needlestick injury. The luer lock allows selection of the appropriate needle for the procedure and easy change of needles for drawing up and injection. The simple design allows the user complete control over the retraction process with:

- Standard single handed operation
- No additional action to engage the safety mechanisms
- Automatic needle retraction, controlled by the user
- Automatic disablement of the syringe post injection; and
- Virtual elimination of bloodspray during retraction.

With no procedural changes required to use the Ritract Safety Syringe, users find it easy to use in clinical practice. The simple design allows for cost effective manufacturing and production of a range of syringe sizes. The Ritract Safety Syringe is currently available in a 3mL size with a standard luer lock connection. Additional sizes (1mL, 5mL and 10mL) will be available shortly.

Ritract Needlesleeve

A spectacularly simple breakthrough

The Ritract Needlesleeve technology is the first of its kind and Ritract believes that it has the potential to revolutionize many needle technologies around the world. One of the key advantages is its application beyond syringes. Needlesleeve can be applied to most medical disposables that incorporate a needle.

The needle is covered by a fine plastic tube, with the needlepoint protruding to allow penetration of the skin. As the needle is withdrawn from the patient, the plastic tube automatically slides over the needle point, providing a protective cover. This cover remains locked in place to protect both the patient and healthcare worker from needlestick injury on withdrawal.

Ritract is currently developing the Needlesleeve technology for a range of devices, including blood collection barrels, winged needles, intravenous infusion devices and hypodermic needles.

In 2005, the Needlesleeve technology saw Ritract announced as winner of the coveted 2005 Frost & Sullivan Technology Innovation & Leadership Award, for technological expertise in the disposable surgical instruments market. Judges were impressed by the technology's application to virtually any medical disposable that includes a needle and Ritract's diverse approach to offering solutions to the needlestick problem. Frost & Sullivan is a global growth and research consultancy, based in the USA, and this award serves as testament to our efforts and achievements to date.

Summary

Ritract is now poised to take advantage of the substantial opportunity that is unfolding in the safety medical devices arena. The Ritract syringe is a leader in both product design and readiness for market and the exciting challenge for the Company going forward is how best to apply sufficient resources to seize the opportunity for the benefit of shareholders and healthcare workers around the globe.

Rupert Northcott

Managing Director

DIRECTORS' REPORT

THE Board of Directors of Ritract Limited has pleasure in presenting its report in respect of the financial year ended 30 June 2005.

Directors

The names, qualifications and experience of directors in office during the financial year and until the date of this report are as follows. Details of the shareholding of directors are contained in Note 5 to the Financial Statements.

Mr Michael Boyd B.Com, C.A, A.S.I.A, F.I.C.D	*Position*: Chairman — Independent and Non-Executive (appointed 6 November 2003) *Experience*: Mr Boyd is a Chartered Accountant with substantial experience in business management and development. My Boyd has been instrumental in a number of business opportunities that have gone to list on Australian Stock Exchange Limited, including Sonic Healthcare Limited, Life Care Health Limited and Quadrant Iridium Limited. Mr Boyd also has substantial experience in the health sector from his involvement with the companies referred to above. *Other current directorships* Chairman, Quadrant Iridium Limited (Director since 2001) *Former directorships in the last three years* None
Mr Rupert Northcott	*Position*: Managing Director — (appointed 1 November 2003) *Experience*: Mr Northcott has an extensive background in the ethical pharmaceutical industry, including ten years with Smith Kline and French. He has held senior management roles, including Marketing Director and General Manager and has broad international experience having worked in this industry in the U.K, U.S and Australia. Mr Northcott also founded and managed Medical Director Australia Pty Ltd that within five years achieved a dominant market position providing software solutions for health and medical clinics and also accounted for 95% of the electronic advertising market for pharmaceutical products. This business was sold to Health Communications Network where Mr Northcott became Managing Director of U.K operations. In April 2001 Mr Northcott was appointed as CEO of Genesis Biomedical Ltd to refocus its activities and to lead the commercialisation activities for its products, including smartcard based technology systems. Before joining Ritract last year Mr Northcott provided executive level advice to several companies that were seeking to commercialise new technologies within the health industry. *Other current directorships* None. *Former directorships in the last three years* None.

DIRECTORS' REPORT

Mr Tony Fitzgerald B.A., B.Juris, LL.B., M.P.A.	*Position:* Director — Independent and Non-Executive (appointed 17 September 2003) Chairman Remuneration and Nomination Committee, Member Audit Committee. *Experience:* Mr Fitzgerald is a graduate in Arts, Jurisprudence and Law and holds a Masters Degree in Public Finance. He practiced as a litigation lawyer before entering the healthcare industry in the mid-1980s. Mr Fitzgerald has worked in a senior executive role for the past twenty years in a variety of ASX listed and unlisted healthcare companies in areas including biotechnology, medical devices and pharmaceutical diagnostics and distribution. Mr Fitzgerald is presently an Executive Director of Resonance Health Limited and Executive Chairman of Regenera Limited, two recently ASX listed companies. He has a strong interest in the commercialisation of healthcare related technologies, intellectual property issues and technology licensing, all of which will be of significant assistance to the Company in advancing the commercialisation of the Ritract syringe and the recently acquired Needlesleeve safety needle technology. *Other current directorships* Executive Chairman of Regenera Limited (director since 2004). Non-Executive Director of Resonance Health Limited (director since 2003). *Former directorships in the last three years* None.

Dr Andrew Walker B.Med, B.Med.Sci (Hons), FICS	*Position:* Director — Independent and Non-Executive (appointed 31 October 2003) Chairman Audit Committee, member Remuneration and Nomination Commitee *Experience:* Dr Walker is currently the Chairman and CEO of Aspen Medical. Over the last 12 years he has led a team that has developed and commercialised a range of successful medical and health related businesses including the Australian Skin Cancer Clinics and Combined Pathology. Today, Aspen Medical is a substantial international business based in Sydney, Australia. Prior to the establishment of Aspen Medical, Dr Walker served in the Australian Defence Forces leading both airborne infantry and medical units. In 1998 he was awarded the Chief of Staff Commendation for service whilst in Borneo. Dr Walker is a graduate of the University of Newcastle and has won places at both Oxford and Harvard Universities. Dr Walker is also a Fellow of the International College of Surgeons. *Other current directorships* Independent Non-Executive Director of Resonance Health Limited (director since 2003). *Former directorships in the last three years* None.
Mr Evan Cross B.Bus, C.A	*Position:* Joint Company Secretary/ Chief Financial Officer (resigned 30 November 2004) *Experience:* Mr Cross is an Associate of the Institute of Chartered Accountants in Australia. He has held a number of senior positions in commerce and industry with particular focus on corporate finance. Mr Cross has extensive international experience and finance experience having worked in the investment banking industry in Australia and the U.S. and has been involved in a range of activities including leveraged buyout transactions, capital raisings and senior and mezzanine debt financings.

DIRECTORS' REPORT (Continued)

Mr Stuart Usher B.Bus, Grad.Dip. CSP, CPA, A.C.I.S.	*Position*: Joint Company Secretary/ Chief Financial Officer (resigned 30 November 2004) *Experience*: Mr Usher is a CPA, an Associate member of The Chartered Institute Of Secretaries and Administrators and a member of Chartered Secretaries Australia where he has attained the status of Chartered Company Secretary. He has extensive experience in the management and corporate affairs of public listed companies.
Mr John Bell B.Sc (Hons), FCMA, MAICD	*Position:* Company Secretary (appointed 30 November 2004). *Experience:* Prior to joining Ritract, Mr Bell held the positions of Chairman, CFO, Director, and Company Secretary of a number of ASX - listed growth companies. His experience includes investment banking, a wide range of international financial and operational management positions with multinational companies and ASX - listed companies. He has extensive experience in a wide variety of manufacturing, media and technology companies.

ADVISORY COMMITTEE

The Hon Dr Michael Wooldridge BSc, M.B.B.S, MBA	*Experience*: Dr Wooldridge graduated in science, medical and surgery and holds an MBA from Monash University. After working as a medical practitioner, he was elected to the Federal Parliament in 1987. He was appointed Deputy Leader of the Opposition in 1993, and became the Minister for Health and Family Services in 1996. His portfolio was extended to include Aged Care in 1998, during which period he also served as the Chair for the World Health Organisation's East Asia and Western Pacific Region. Dr Wooldridge was also Global Chairman of UN AIDS, the peak UN body dealing in HIV. From 1996 to 2001 he was a member of the Cabinet Budget Committee (Expenditure Review) and thus played an integral part in Federal budget allocations not only in the health sector but across all sectors of the Australian government. Since retiring from Federal Parliament, Dr Wooldridge has held and continues to hold an academic appointment at the University of Melbourne and is Deputy Chairman of Neurosciences Australia. Through his supervision of the Health Insurance Commission, Dr Wooldridge had overall responsibility for the Pharmaceutical Benefits Scheme and for the Therapeutic Goods Administration in Australia. His breadth of knowledge and understanding of government policy in the health sector, particularly in relation to diagnostic procedures, is extensive.

Dr Derrick Beech BSc (Hons), MSc, C.Chem, F.R.S.C, F.A.D.M, PhD	*Experience*: Dr Beech has spent his entire career in medical technology since graduating with a BSc(Hons) in Chemistry. He also holds both an MSc and PhD in polymer science from the University of Manchester, UK. He has been a medical technology consultant since 1996, providing business support to medical device companies, focussing on regulatory affairs and quality systems. Prior to this, he was Director of the Therapeutic Goods Administration from 1985 during which time he created, implemented and directed medical device regulation in Australia. From 1969 to 1976 he was a lecturer in Biomaterials, University of Manchester until his appointment as Director of the Australian Dental Standards Laboratory, Australian Department of Health. Honorary appointments include consultant and Lieutenant Colonel, Australian Army Reserve, Visiting Professor, University of Sydney, Chair of the Medical Devices Network and Chair or member of many professional organisations and government committees. Dr Beech's work has spanned research, standards, undergraduate and postgraduate education, medical device policy and regulatory affairs for over 30 years, for most of this time as a senior executive. He has published over 60 papers in scientific journals and books and lectured extensively, both nationally and internationally, on biomaterials and on medical device regulatory policy. He has an international reputation in these areas and has received several prestigious awards in Australia and internationally for achievements in research, education and communication. Dr Beech's wide professional experience, profile and links with all aspects of medical device business from concept to final product, knowledge of the technology base and of government enable him to contribute to the introduction, evaluation and development of new medical device technologies for the benefit of the Company.
Dr Bruce Ingram B.Sc.(Hons), M.B., B.s.(Hons)	*Experience*: Dr Ingram has extensive clinical knowledge and experience gained during his 20 years in General Practice which includes a special interest in the care and treatment of patients who use illicit drugs. Amongst his many achievements, is that Dr Ingram holds the position of Honorary Physician to the Governor of Victoria. He also serves as Deputy Director of Professional Services Review - an independent regulatory body operating under the Health Insurance Act. Dr Ingram is a major shareholder in Ritract Limited and brings an invaluable clinical perspective as the Company moves close to commercialisation of both the Ritract syringe and the Needlesleeve safety needle technology.

Principal Activities

The consolidated entity's business involves the commercialisation of a range of specialised syringes and needles to meet the growing worldwide demand for safe, single use, automatically disabling, retractable syringes and safety needles. The consolidated entity through its acquisition of compatible medical device technology and intellectual property is also developing and marketing innovative patented products and technologies. There were no significant changes in the nature of the consolidated entity's principal activities during the financial year.

Operating Results

The net loss of the consolidated entity for the financial year after tax and outside equity interests was $3,790,773, (2004 net loss $1,506,738).

Dividends Paid or Recommended

No dividend was paid or declared for the financial year.

DIRECTORS' REPORT (cont'd)

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the company occurred during the financial year:

As disclosed in Note 16(a), the company received $1,949,537 from conversion of options during the year.

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significant affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years, other than as set out in Note 21.

Environmental Regulations

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Likely developments and expected results of operations

Comments on expected results of the operations of the consolidated entity are included in this report under the review of operations.

Disclosure of information regarding likely developments in the operations of the company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the company. Accordingly, this information has not been disclosed in this report.

Meetings of directors

The number of meetings of the company's board of directors and each board committee held during the year ended 30 June 2005, and the numbers of meetings attended by each director were:

	Directors' Meetings		Audit Committee Meetings	
	Number eligible To attend	Number attended	Number eligible To attend	Number attended
Mr M Boyd	4	4	2	2
Mr R Northcott	4	4	-	-
Mr T Fitzgerald	4	4	-	-
Dr A Walker	4	4	2	2

DIRECTORS' REPORT (cont'd)

REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of Ritract Limited and for the executives receiving the highest remuneration.

(a) Remuneration Policy

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

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

The Board of Directors of Ritract Limited is responsible for determining and reviewing compensation arrangements for directors, chief executive officer and the executive team. Remuneration levels for executives are competitively set to attract the most qualified and experienced directors and senior executive officers, in the context of prevailing market conditions, the particular experience of the individual concerned and the overall performance of the company with the objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. The assistance of an external consultant or remuneration surveys are used where necessary.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

Each of the non-executive directors receives a fixed fee for their services as directors. Non-executive directors' fees not exceeding an aggregate of $250,000 per annum have been approved by shareholders in the Company in a general meeting. They are paid quarterly in advance.

There is no direct link between remuneration paid to any of the directors and corporate performance such as bonus payments for achievements of certain key performance indicators other than for the holders of Performance Shares and Director Options.

Details of these Directors holdings and the terms attached to them are laid out in Note 5 to the Financial Statements.

The directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9% of gross base salary. There are no other contractual or other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

(b) Performance Based Remuneration

The Company has issued both Performance Shares and Director Options to Mr Rupert Nothcott and Dr Andrew Walker. Further details are disclosed in Note 5 (d) to the Financial Statements.

Under his contract, Mr Michael Boyd, Chairman will be issued 500,000 Shares in the event he successfully introduces a commercial transaction to the Company for use of its syringe with a gross revenue value over a 12 month period equal to $500,000 or more.

An Incentive Option Scheme was approved by shareholders at the 2004 AGM to enable options to be granted to eligible employees of the Company. No options have been issued to date under this Scheme.

DIRECTORS' REPORT (cont'd)

(c) Details of Remuneration for Year Ended 30 June 2005 (This information has been audited)

The remuneration for each director of the consolidated entity receiving the highest remuneration during the year was as follows:

	Salary, Fees and Commissions	Superannuation Contribution	Cash Bonus	Non-cash Benefits	Options	Total
	$	$	$	$	$	$
Directors						
M Boyd	50,000	4,500	-	-	-	54,500
A Fitzgerald	30,000	2,700	-	-	-	32,700
R Northcott	205,632	18,507	-	-	4,058	228,197
A Walker	30,000	2,700	-	-	2,488	35,188
	315,632	28,407	-	-	6,546	350,585
Specified Executives			-	-	-	
John Bell	84,352	7,592	-	-	-	91,944
CFO/Secretary						
Tom Davenport	92,151	8,294	-	-	-	100,445
Head of R&D/Engineering						
Troy Kohut	147,100	-	-	-	-	147,100
Global VP, Sales and Marketing						

"Specified Executives" are those directly accountable and responsible for the operational management and strategic direction of the Company and the consolidated entity.

(d) Options Issued as Part of Remuneration for the Year Ended 30 June 2005

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors of Ritract Limited to increase goal congruence between executives, directors and shareholders.

	Granted No.	**Options Granted as Part of Remuneration**	**Total Remuneration Represented by Options**	**Options Exercised**	**Options Lapsed**	**Total**
		$	%	$	($)	$
Directors						
Rupert Northcott	4,500,000	4,058	2%	-	-	4,058
Andrew Walker	1,000,000	2,488	7%	-	-	2,488
		6,546		-	-	6,546

(e) Employment Contracts of Directors and Senior Executives

The Company has entered into an executive services agreement with Mr Northcott, pursuant to which Mr Northcott is engaged as Managing Director of the Company for an initial period of 3 years which commenced on 1 November 2003.

The appointment is subject to renewal for a further term by mutual agreement of Mr Northcott and the Company. The appointment may be terminated by either Mr Northcott or the Company by giving 6 months written notice to the other party.

The Company pays Mr Northcott a base salary of $220,000 per annum plus statutory superannuation to Mr Northcott. The salary is subject to an annual review on the anniversary of the Appointment. The Company also pays all business related mobile telephone and home office expenses incurred by Mr Northcott.

In addition, Mr Northcott was allotted a parcel of 250,000 Shares upon his Appointment and the following additional Performance Shares:

250,000 Class A Performance Shares (converted to ordinary shares at the date of this report)

250,000 Class B Performance Shares (converted to ordinary shares at the date of this report)

500,000 Class C Performance Shares

All other senior executives of the company are engaged under standard employment agreement which are terminable by either party at one month's notice.

Directors' and Executives' Shareholdings and Optionholdings

Disclosures relating to directors' and executives' shareholdings and optionholdings have been included in Note 5 to the financial statements. No movements in these shareholdings or optionholdings have occurred between balance date and the date of this report.

Indemnifying Directors and Officers

During the year the company paid an insurance premium of $43,046 to insure the directors and secretaries of the company and its controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Options

Details of Options that were granted over unissued shares during the financial year by the company and which remain outstanding at balance date and at the date of this report are disclosed at Note 16 to the financial statements.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Ritract Limited support and adhere to the principles of corporate governance. The company's corporate governance statement is contained in the following section of this annual report.

Non-audit Services

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

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2005:

	$
- Taxation compliance services	6,273

Auditors' Independence Declaration

A copy of the auditors' independence declaration for the year ended 30 June 2005, as required by Section 307C of the Corporations Act 2001, has been received and can be found on page 23.

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

Mr R Northcott

Director

Dated this 30th day of September 2005.

CORPORATE GOVERNANCE STATEMENT

Ritract Limited is committed to protecting and enhancing shareholder value and adopting best practice governance policies and practices. This Corporate Governance Statement outlines the main Corporate Governance practices that were in place throughout the financial year, which comply with the Australian Stock Exchange ('ASX') Corporate Governance Council recommendations. Where a recommendation has not been followed, this is clearly stated along with an explanation for the departure.

During the year, Ritract Limited did not have a corporate governance section on its website but will publish its adopted Corporate Governance Board Charters and policies prior to the 2005 Annual General Meeting.

Principle 1

Lay solid foundations for management and oversight

The Board is the governing body of the Company. The Board and the Company act within a statutory framework – principally the Corporations Act and also the Constitution of the Company. Subject to this statutory framework, the Board has the authority and the responsibility to perform the functions, determine the policies and control the affairs of Ritract Limited.

The Board ensures that Ritract Limited acts in accordance with prudent commercial principles, and satisfies shareholders – consistent with maximising the Company's long term value.

The primary responsibilities of the Board include:

- Charting the direction, strategies and financial objectives of the company and ensuring appropriate resources are available
- Monitoring the implementation of those policies and strategies and the achievement of those financial objectives
- Monitoring compliance with control and accountability systems, regulatory requirements and ethical standards
- Ensuring the preparation of accurate financial reports and statements
- Reporting to shareholders and the investment community on the performance and state of the company
- Appoint the Chief Executive Officer and monitor performance of the Chief Executive Officer and senior executives
- Establish proper succession plans for management of the company

Principle 2

Structure the Board to add value

The composition of the Board has been determined on the basis of providing the Company with the benefit of a broad range of technical, administrative and financial skills, combined with an appropriate level of experience at a senior corporate level. Details of each Director's skills and experience are set out in the Directors' report.

The ASX guidelines recommend that a listed company should have a majority of directors who are independent. The Board complies with the ASX Corporate Governance Council Principles 2.1 having three out of the four directors including the Chairman who are independent.

In the context of director independence, 'materiality' is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is evidence to the contrary) if it is equal or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point at the actual ability in question to shape the direction of the company's loyalty.

CORPORATE GOVERNANCE STATEMENT (Continued)

Principle 2 (Continued)

The roles of Chairman and Managing Director are exercised by different individuals, providing for clear division of responsibility at the head of the company. Their roles and responsibilities, and the division of responsibilities between them, are clearly understood and there is regular communication between them.

With the prior approval of the Chairman, each director has the right to seek independent legal and other professional advice at the company's expense concerning any aspect of the company's operations or undertakings in order to fulfil their duties and responsibilities as directors.

Directors are subject to re-election by rotation at annual general meetings as stipulated in the Corporations Act and the company's constitution. There are no maximum terms for non-executive director appointments. Newly elected directors must seek re-election at the first general meeting of shareholders following their appointment.

The remuneration of the directors is determined by the board as a whole, with the director to whom a particular decision relates being absent from the meeting during the time that the remuneration level is discussed and decided upon. Further information and the components of remuneration for directors are set out in the Directors' Report.

Ritract Limited has a remuneration and nomination committee which was established by the Board on 1 September 2004. Its members are as follows: -Dr A Walker (Chairman), Mr T Fitzgerald.

Principle 3

Promote ethical and responsible decision-making

The Board places great emphasis on ethics and integrity in all its business dealings.

In regards to principle 3.1 in establishing a code of conduct, although there was no written policy the board considered the business practices and ethics exercised by individual Board members and key executives were of the highest standards.

In regards to principle 3.2 in disclosing policies on trading in company securities, although there was no formal policy, a policy did exist and was practised whereby statutory provisions of the Corporations Act dealing with insider trading were strictly complied with.

Principle 4

Safeguard integrity in financial reporting

The board has established an 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, including the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The Board has delegated responsibility for the establishment and framework of internal controls and ethical standards for the management of the consolidated entity to the audit committee.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the audit committee are independent non-executive directors.

The members of the audit committee during the year were:

- Dr Andrew Walker (Chairman)
- Mr Michael Boyd

The audit committee generally invites the Chief Financial Officer and Company Secretary and external auditors to attend meetings.

CORPORATE GOVERNANCE STATEMENT (Continued)

Principle 5

Make timely and balanced disclosure

Although there were no written policies, the Company complied with all disclosure requirements to ensure that Ritract manages the disclosure of price sensitive information effectively and in accordance with the requirements as set out by regulatory bodies. All market disclosures are approved by the Board.

The Managing Director and Company Secretary are authorised to communicate with shareholders and the market in relation to Board approved disclosures.

All announcements made to the ASX are placed on the Company's web site immediately after public release.

Principle 6

Respect the rights of shareholders

The Company has a positive strategy to communicate with shareholders and actively promote shareholder involvement in the Company. It has overhauled its website to improve the information available to shareholders on its website. All company announcements, presentations to analysts and other significant briefings are posted on the company's website after release to the Australian Stock Exchange. A shareholder newsletter is sent to all shareholders. Whilst principle 6.1 requires a written communications strategy that promotes effective communication with shareholders, the company did not have a formal communication policy during the year. The board fully understands the requirements of shareholder communication and has guidelines in place for handling such matters.

Principle 7

Recognise and manage risk

The Board oversees the establishment, implementation and ongoing review of the Company's risk management and internal control system. Recommendation 7.1 requires the establishment of a risk committee. During the year Ritract Limited did not have a separately established risk committee. However, the duties and responsibilities typically delegated to such a committee are expressly included in the role of the Audit Committee and the main Board. The board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate risk committee.

Recommendation 7.1 also requires that the company has a formal risk management policy and internal compliance and control system. During the year, Ritract Limited did not have a formal risk management policy but commenced the implementation of a Total Quality Management System with the aim of applying for ISO13485 certification. This is a rigorous process focussing on the level of risk analysis and prevention which is required for a medical device company. The company also has in place classes of insurance at levels which, in the reasonable opinion of the directors, are appropriate for it size and operations.

CORPORATE GOVERNANCE STATEMENT (Continued)

Principle 8

Encourage enhanced performance

During the year the company did not conduct a performance evaluation of its board and members in accordance with recommendation 8.1. A review is planned prior to the Company's Annual General Meeting. To enable the performance of their duties, all directors:

- have access to management
- are provided with appropriate management information in a timely manner
- are able to seek independent professional advice at the company's expense
- are entitled to request additional management information at any time

Principle 9

Remunerate fairly and responsibly

Recommendation 9.2 requires the establishment of a remuneration committee. A formal remuneration committee was established in September 2004 with the appointment of two independent non-executive directors appointed.

-Dr A Walker (Chairman)
-Mr T Fitzgerald

Director disclosure requirements are dealt with in Note 5 to the Financial Statements.

Principle 10

Recognise the legitimate interests of stakeholders

The Board recognises that the interests of all stakeholders will be best served when the company, its directors and staff adhere to high standards of business ethics and comply with the law.

The Board expects a high standard of ethical corporate behaviour from all directors and staff. A code of Business Ethics is being developed outlining the policies and procedures which operate within the company to ensure its exemplary reputation is maintained. During the year staff numbers increased from one to eight, and these policies can now be developed and implemented.

HLB Mann Judd
Chartered Accountants

Auditors' Independence Declaration

As lead auditor for the audit of the financial report of RiTract Limited for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of RiTract Limited.

Perth, Western Australia

30 September 2005

L DI GIALLONARDO

Partner, HLB Mann Judd

STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Consolidated		Parent	
		2005 $	2004 $	2005 $	2004 $
Revenues from ordinary activities	2	**190,813**	**142,076**	**190,813**	**142,076**
Expenses from ordinary activities					
Employee benefits expense		(652,298)	(187,270)	(652,298)	(187,270)
Consulting and professional services		(895,692)	(536,553)	(895,692)	(536,553)
Research and development		(961,977)	(415,235)	(328,183)	(48,663)
Amortisation of intellectual property and patents		(494,443)	(223,819)	(193,818)	(48,455)
Statutory and compliance		(147,994)	(79,825)	(141,997)	(79,825)
Marketing expenses		(160,646)	-	(156,880)	-
Travel		(272,160)	(113,365)	(270,203)	(113,365)
Directors' fees		(110,000)	(79,933)	(110,000)	(79,933)
Provision for non-recoverability of loan to controlled entity	9	-	-	(660,987)	(366,572)
Provision for diminution of investment in controlled entity	12	-	-	(300,657)	(169,119)
Other expenses from ordinary activities		(386,149)	(68,164)	(370,677)	(68,164)
Loss from ordinary activities before income tax	3	**(3,890,546)**	**(1,562,088)**	**(3,890,579)**	**(1,555,843)**
Income tax benefit/(expense) relating to ordinary activities	4	-	-	-	-
Loss from ordinary activities after income tax		**(3,890,546)**	**(1,562,088)**	**(3,890,579)**	**(1,555,843)**
Net loss attributable to outside equity interest		99,773	55,350	-	-
Net loss attributable to members of the parent entity		**(3,790,773)**	**(1,506,738)**	**(3,890,579)**	**(1,555,843)**
Total changes in equity other than those resulting in transactions with owners as owners		**(3,790,773)**	**(1,506,738)**	**(3,890,579)**	**(1,555,843)**
Basic loss per share (cents per share)	7	**(5.3)**	**(4.2)**	-	-

The above statements of financial performance should be read in conjunction with the accompanying notes.

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2005

	Note	Consolidated 2005 $	Consolidated 2004 $	Parent 2005 $	Parent 2004 $
Current Assets					
Cash assets	8	3,112,041	4,217,893	3,112,041	4,217,893
Receivables	9	38,999	341,972	38,999	341,972
Other	10	40,418	59,312	40,418	59,312
Total Current Assets		3,191,458	4,619,177	3,191,458	4,619,177
Non-Current Assets					
Property, plant and equipment	11	30,780	9,614	30,780	9,614
Receivables	9	-	-	-	-
Other financial assets	12	-	-	2,530,224	2,830,881
Intangible assets	13	4,226,166	4,720,608	1,695,909	1,889,727
Total Non-Current Assets		4,256,946	4,730,222	4,256,913	4,730,222
Total Assets		7,448,404	9,349,399	7,448,371	9,349,399
Current Liabilities					
Payables	14	266,762	256,357	266,762	256,357
Provisions	15	36,753	7,144	36,753	7,144
Total Current Liabilities		303,515	263,501	303,515	263,501
Total Liabilities		303,515	263,501	303,515	263,501
Net Assets		7,144,889	9,085,898	7,144,856	9,085,898
Equity					
Parent entity interest					
Contributed equity	16	12,292,598	10,343,061	12,292,598	10,343,061
Option reserve		298,680	298,680	298,680	298,680
Accumulated losses	17	(5,297,511)	(1,506,738)	(5,446,422)	(1,555,843)
Total Parent entity interest		7,293,767	9,135,003	7,144,856	9,085,898
Outside equity interest	18	(148,878)	(49,105)	-	-
Total Equity		7,144,889	9,085,898	7,144,856	9,085,898

The above statements of financial position should be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Consolidated 2005 $	Consolidated 2004 $	Parent 2005 $	Parent 2004 $
		Inflows/(Outflows)		Inflows/(Outflows)	
Cash flows from operating activities					
Payments to suppliers and employees		(3,219,152)	(1,617,628)	(2,558,165)	(1,251,056)
Interest received		190,813	142,076	190,813	142,076
Net cash used in operating activities	20(a)	(3,028,339)	(1,475,552)	(2,367,352)	(1,108,980)
Cash flows from investing activities					
Cash paid on acquisition of controlled entity		-	(2,250,000)	-	(2,250,000)
Payments for plant and equipment		(27,050)	(10,114)	(27,050)	(10,114)
Payments for intellectual property		-	(588,182)	-	(588,182)
Loan to controlled entity		-	-	(660,987)	(366,572)
Net cash used in investing activities		(27,050)	(2,848,296)	(688,037)	(3,214,868)
Cash flows from financing activities					
Proceeds from issue of shares/conversion of options		1,949,537	9,401,665	1,949,537	9,401,665
Payments for share issue costs		-	(859,924)	-	(859,924)
Net cash provided by financing activities		1,949,537	8,541,741	1,949,537	8,541,741
Net increase/(decrease) in cash held		(1,105,852)	4,217,893	(1,105,852)	4,217,893
Cash at the beginning of the financial year		4,217,893	-	4,217,893	-
Cash at the end of the financial year	8	3,112,041	4,217,893	3,112,041	4,217,893

The above statements of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared 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 covers Ritract Limited as an individual company (parent entity) and the consolidated entity of Ritract Limited and its controlled entities. Ritract Limited is a listed public company, incorporated and domiciled in Australia. It was registered on 17 September 2003 and this financial report covers the year ended 30 June 2005. The comparative figures cover the period from 17 September 2003 to 30 June 2004, and therefore the comparative amounts are not comparable where the lengths of the financial years differ.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Ritract Limited ("company" or "parent entity") as at 30 June 2005 and the results of all controlled entities for the year then ended. Ritract Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

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.

(b) Intangibles

Acquisition of intangible assets:

Acquisition goodwill, representing the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired on the acquisition of businesses, is amortised over the period of time during which benefits are expected to arise.

Acquisition goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise, which is currently 10 years.

The unamortised balance of acquisition goodwill is reviewed at least at each reporting date. Where the balance exceeds the value of expected future benefits, the goodwill is written down and the difference is charged to the Statement of Financial Performance.

(c) Income Tax

The company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit/loss from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit/loss and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(d) Plant and Equipment

Items of plant and equipment are carried at the lower of cost less accumulated depreciation, and recoverable amount.

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

Depreciation

Items of property, plant and equipment are depreciated over their estimated useful lives. The straight line method of depreciation is used and assets are depreciated from the date of acquisition. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Plant and equipment	3 – 10 years

(e) Investments

Investments are stated at cost. Where there has been a permanent diminution in the value of an investment a provision for diminution is made.

Investments in controlled entities are carried in the company's financial statements at the lower of cost and recoverable amount.

(f) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. The amounts are unsecured and are usually paid within 30 days of recognition.

(g) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating lease payments, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are included in the determination of the operating profit/loss in equal instalments over the lease term.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

(h) Earnings per share

Basic EPS is calculated as net profit/loss attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit/loss attributable to members, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

and

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(i) Share capital

Ordinary share capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(j) Research and Development Expenditure

Research and Development costs are charged to profit/loss from ordinary activities before income tax as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs. To date no research and development costs, including costs associated with patent applications, have been deferred.

(k) Foreign Currency Transactions and Balances

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

(l) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the company to employee superannuation funds and are charged as expenses when incurred. During the year the company contributed 9% of salaries and wages under the Superannuation Guarantee Act requirements.

(m) Cash

For the purposes of the statement of cash flows, cash includes deposits at call with financial institutions with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value.

(n) Revenue

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

Interest revenue is recognised as it accrues taking into account the interest rates applicable to the financial assets.

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

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

(o) Goods and Services Tax (GST)

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

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

(p) Comparative Figures

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated		Parent	
	2005	2004	2005	2004
NOTE 2: Revenue from operating activities	$	$	$	$
Revenue from operating activities				
— Interest received	190,813	142,076	190,813	142,076
Total Revenue from operating activities	190,813	142,076	190,813	142,076
NOTE 3: Expenses from ordinary activities				
Loss from ordinary activities before income tax has been determined after charging as expenses:				
Depreciation of non-current assets	5,884	500	5,884	500
Rental expense on operating leases	57,367	26,016	57,367	26,016
NOTE 4: Income tax benefit				
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax benefit as follows:				
Loss from ordinary activities before income tax	(3,890,546)	(1,562,088)	(3,890,579)	(1,555,843)
Prima facie tax payable on loss from ordinary activities before income tax at 30%	(1,167,164)	(468,626)	(1,167,174)	(466,753)
Tax effect of permanent differences:				
— Amortisation not deductible	148,333	67,145	58,145	14,537
	(1,018,831)	(401,481)	(1,109,029)	(452,216)
Benefit of income tax losses not brought to account	1,018,831	401,481	1,109,029	452,216
Income tax benefit attributable to loss from ordinary activities	-	-	-	-

Future income tax benefit from tax losses amounting to consolidated $1,420,312 (2004 $401,481); parent $1,561,245 (2004 $452,216), calculated at 30%, is not brought to account at balance date as realisation of the benefit is not regarded as virtually certain.

The future income tax benefit will only be obtained if:

(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and

(c) no changes in tax legislation adversely affect the company in realising the benefit.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 5: Director and Executive disclosures

(a) The company has applied the exemption under Corporations Amendments Regulation 2005 which exempts listed companies from providing remuneration disclosures in relation to Director and Executives in the Financial Report in accordance with Accounting Standard AASB 1046 Director and Executive Disclosures by Disclosing Entities. These remuneration disclosures are provided in the Remuneration Report section of the Directors' Report under Details of Remuneration and are designated as audited.

(b) Option Holdings

Number of options held by Specified Directors

2005	Opening Balance	Options Exercised	Net Change Other*	Balance 30.6.05	Total Vested and exercisable
Specified Directors					
Mr M. Boyd - Non-executive Chairman	2,000,000	-	-	2,000,000	2,000,000
Mr R. Northcott – Managing Director	410,000	-	4,500,000	4,910,000	410,000
Mr T. Fitzgerald – Non-executive Director	80,000	-	-	80,000	80,000
Dr A. Walker – Non-executive Director	10,000	-	1,000,000	1,010,000	310,000
Total	2,500,000	-	5,500,000	8,000,000	2,800,000

* "Net Change Other" includes those options that were issued during the year as remuneration, or through on market purchase/sale.

(c) Shareholdings

Number of Shares held by Specified Directors

	Opening Balance	Converted from Performance Shares	Acquired on market	Balance 30.6.05
Specified Directors				
Mr M. Boyd – Non-executive Chairman	2,000,000	500,000	-	2,500,000
Mr R. Northcott – Managing Director	410,000	250,000	-	660,000
Mr T. Fitzgerald – Non-executive Director	180,000	-	-	180,000
Dr A. Walker – Non-executive Director	-	100,000	-	100,000
Total	2,590,000	850,000	-	3,440,000

(d) Performance Shares

Number of Performance Shares held by Specified Directors

	Opening Balance	Received as Remuneratio n	Converted to Ordinary Shares	Balance 30.6.05
Specified Directors				
Mr M. Boyd – Non-executive Chairman (1)	1,500,000	-	(500,000)	1,000,000
Mr R. Northcott – Non-executive Managing Director(2)	1,000,000	-	(250,000)	750,000
Mr T. Fitzgerald – Non-executive Director	-	-	-	-
Dr A. Walker – Non-executive Director (3)	250,000	-	(100,000)	150,000
Total	2,750,000	-	(850,000)	1,900,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 5: Director and Executive disclosures (cont'd)

Notes

(1) Mr Boyd holds 500,000 Class C Performance Shares. In addition, pursuant to Mr Boyd's engagement with the Company he will be issued a further 500,000 Shares in the event he introduces a commercial transaction to the Company for use of its syringe with gross revenue of at least $500,000 over a 12 month period.

(2) Mr Northcott holds 500,000 Class C Performance Shares.

(3) Dr Walker holds 150,000 Class C Performance Shares.

NOTE 6: Auditors' remuneration	2005 $	2004 $
Remuneration of the auditor of the company for:		
— auditing or reviewing the financial report	21,600	15,000
— other services (taxation compliance services)	6,273	7,900
	27,873	22,900

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 7: Earnings per share	2005 $	2004 $
(a) Reconciliation of earnings used in calculating earnings per share		
Net loss	(3,890,546)	(1,562,088)
Net loss attributable to outside equity interest	99,773	55,350
Earnings used in the calculation of basic and dilutive earnings per share	(3,790,773)	(1,506,738)
(b) Weighted average number of shares used as the denominator	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic and dilutive earnings per share	70,908,014	35,488,535

(c) Classification of securities

Diluted earnings per share will not be any different to basic earnings per share, as it is not considered that the options on issue as disclosed in Note 16(b) will have a dilutive effect on EPS (as the company incurred a loss for the year).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 8: Cash assets

	Consolidated		Parent	
	2005 $	2004 $	2005 $	2004 $
Cash at bank and on hand	(26,257)	29,939	(26,257)	29,939
Deposits at call	3,138,298	4,187,954	3,138,298	4,187,954
	3,112,041	4,217,893	3,112,041	4,217,893

NOTE 9: Receivables

Current				
Other debtors	38,999	341,972	38,999	341,972
Non Current				
Loan to controlled entity	-	-	1,027,559	366,572
Provision for non-recoverability	-	-	(1,027,559)	(366,572)
	-	-	-	-
Movement in provision for non-recoverability				
- balance at the beginning of year	-	-	(366,572)	-
- increase in provision during the year	-	-	(660,987)	(366,572)
- balance at end of year	-	-	(1,027,559)	(366,572)

NOTE 10: Other assets

Current				
Prepayments	39,932	59,312	39,932	59,312
Advances	486	-	486	-
	40,418	59,312	40,418	59,312

NOTE 11: Property, plant and equipment

Fixtures and equipment				
At cost	37,164	10,114	37,164	10,114
Less: Accumulated depreciation	(6,384)	(500)	(6,384)	(500)
Total property, plant and equipment	30,780	9,614	30,780	9,614

Reconciliation

Reconciliation of the carrying amount of each class of property, plant and equipment are set out below:

	Fixtures and Equipment $
Balance at the beginning of the year	9,614
Additions	27,050
Disposals	-
Depreciation expense	(5,884)
Carrying amount at the end of the year	30,780

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated		Parent	
NOTE 12: Other Financial Assets	2005 $	2004 $	2005 $	2004 $
Non current				
Investment in controlled entity at cost (Note 24)	-	-	3,000,000	3,000,000
Less: Provision for diminution	-	-	(469,776)	(169,119)
	-	-	2,530,224	2,830,881

The carrying value of the investment in the controlled entity is dependent on the successful development and commercialisation of the entity's syringe technology or realisation by sale, by that entity.

NOTE 13: Intangible assets

Intellectual Property – at cost	4,902,790	4,902,790	1,938,182	1,938,182
Accumulated amortisation	(711,668)	(221,390)	(242,273)	(48,455)
	4,191,122	4,681,400	1,695,909	1,889,727
Patents – at cost	41,637	41,637	-	-
Accumulated amortisation	(6,593)	(2,429)	-	-
	35,044	39,208	-	-
Total	4,226,166	4,720,608	1,695,909	1,889,727

The carrying value of the intangible assets is dependent on the successful development and commercialisation of the syringe technology and Needlesleeve technology embodied in these intangible assets, or realisation by sale.

NOTE 14: Payables

Current				
Trade creditors	128,892	163,950	128,892	163,950
Sundry creditors and accruals	137,870	92,407	137,870	92,407
	266,762	256,357	266,762	256,357
Included in the trade creditors amount above is an amount payable to related parties:	-	33,350	-	33,350

Details of the related party payables are set out in Note 22.

NOTE 15: Provisions

Current				
Employee entitlements	36,753	7,144	36,753	7,144
Aggregate employee benefits liability	36,753	7,144	36,753	7,144
	No.	No.	No.	No.
Number of employees at balance date	6	3	6	3

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 16: Contributed equity

(a) Issued and paid up capital

	2005			2004		
	$	**Number**	**$**	**$**	**Number**	**$**
Issued and paid up capital						
73,479,362 ordinary shares	12,291,705					
			12,292,59			
19,550,000 performance shares	893	93,029,362				
2004						
				10,342,01		
63,518,865 ordinary shares						
23,000,000 performance shares				1,050	86,518,865	10,343,061

Movements during the period (2005)

Ordinary shares	Number of shares	Issue price	$
Balance at the beginning of the financial year	63,518,865		10,342,011
Shares issued:			
- Options converted to shares	6,510,497	$0.30	1,949,537
- Conversion of Class A performance shares	3,450,000		
Balance at end of financial year	73,479,362		12,291,705
Performance shares			
Balance at the beginning of the financial year	23,000,000		1,050
Conversion of Class A performance shares	(3,450,000)		(157)
Balance at end of financial year	19,550,000		
Total	**93,029,362**		**12,292,598**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

(b) Share Options

Options over ordinary shares issued during the year and outstanding at balance date:

59,703,145 Listed Options Expiring 31 December 2006 (ASX Code: RTLO)

On 19 April 2004, 59,703,145 options were issued over ordinary shares, exercisable any time prior to their expiry date being 31 December 2006. These options were issued at an issue price of 0.5 cents each and total proceeds received of $298,680 are included in the Option Reserve in the Statements of Financial Position. The options were issued on the basis of one option for every one share held as at 19 March 2004. The exercise price of the options is $0.75 cents per Share. If a shareholder exercised an Option on or before 30 September 2004 they received (for free) one new Option for each Option exercised. The terms of the new Option provide for an exercise price of 75 cents and an expiry date of 31 December 2006.

6,510,497 fully paid ordinary shares in Ritract Limited were issued during the year ended 30 June 2005 on the exercise of options.

From the end of the reporting period to the date of this annual report no options have been converted into fully paid ordinary shares.

3,650,000 Unlisted Options Expiring 30 June 2006.

On 6 April 2004, 3,650,000 options were granted over ordinary shares, exercisable in accordance with the following terms and prior to their expiry date being 30 June 2006. The options have an exercise price of $0.0001 each.

1. all of the Options will immediately become exercisable in the event the appeal numbered FUL 104 of 2002 (Eastland Technology & Ors v Whisson & Ors) ("the Appeal") is discontinued or resolved in favour of the respondents, where a favourable result is any result that does not have an material adverse effect upon the title of Ritract to the Intellectual Property Rights as defined in the Deed of Transfer and Licence of Intellectual Property Rights made between Needlesleeve Pty Ltd and Wildest Pty Ltd dated 21 November 2003. By way of example and without limitation an award of damages against Needlesleeve would not have such an adverse effect. In the event any dispute arises between the parties as to the interpretation of this condition then, and as a pre-condition to the exercise of a right of a party to commence any proceedings, either party may, by notice in writing addressed to the President of the Western Australian Bar Association, seek the appointment of an independent Queen's Counsel or Senior Counsel to act as an arbitrator for the purposes of resolving the dispute. Such arbitration shall be conducted in such manner and according to such terms as the arbitrator may determine and the costs of the arbitration shall be paid as the arbitrator may direct and failing any direction by the parties equally. Both parties shall be bound by the result of the arbitration;

2. if, prior to 1 April 2005, a judgement is not handed down by the Full Court of the Supreme Court of Western Australia in Eastland Technology Australia Ltd & Ors v Whisson & Ors (Full Court Appeal FUL 104 of 2002) in respect of the appeal, then all of the Options will immediately become exercisable.

All of these options have been converted as a result of a judgement not being reached by 1 April 2005 with exercise proceeds received by the company of $ 365.

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

(c) Terms and conditions of ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(d) Terms and conditions of Performance Shares

Class A Performance Shares

The First Performance milestone was achieved on 20 July 2004 and consequently all the Class A Performance Shares have been converted to ordinary shares.

Class B Performance Shares

The Second Performance milestone was achieved on 18 May 2005 and consequently all the Class B Performance Shares have been converted to ordinary shares.

Class C Performance Shares

The material terms of the Class C Performance Shares are as follows:

(a) the Class C Performance Shares are a separate class of shares that will be convertible into Shares. They do not carry any voting rights in the Company;

(b) each Class C Performance Share will convert into one (1) Share upon the Company entering into a licence agreement in relation to the Glenord Technology with a value of at least $1.5 million (Third Performance Milestone). For the avoidance of doubt, the $1.5 million valuation trigger for achievement of the Third Performance Milestone shall mean:

(i) a licensing transaction that has a lump sum royalty payment for a minimum of $1.5 million;

(ii) an initial order from a single purchaser with a lump sum value of a minimum of $1.5 million;

(iii) a licensing transaction with a minimum purchase or royalty requirement in its first year of $1.5 million

or greater; or

(iv) aggregate royalty receipts in the prior 12 months of a minimum of $1.5 million;

(c) if the Third Performance Milestone has not been achieved within 5 years from the date the Company lists on

ASX, each 100,000 Class C Performance Shares will convert into one (1) Share (with any fractional entitlements

being rounded up to the nearest whole fully paid share); and

(d) the Class C Performance Shares are not transferable

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 17: Accumulated losses

	Consolidated		Parent	
	2005 $	2004 $	2005 $	2004 $
Accumulated losses at the beginning of the financial year	(1,506,738)	-	(1,555,843)	-
Net loss attributable to the members of Ritract Limited	(3,790,773)	(1,506,738)	(3,890,579)	(1,555,843)
Accumulated losses at the end of the financial year	(5,297,511)	(1,506,738)	(5,446,422)	(1,555,843)

NOTE 18: Outside equity interest in controlled entity

Reconciliation of outside equity interest in controlled entities:

Opening balance	(49,105)	-
Add Initial acquisition	-	6,245
Add Share of operating loss	(99,773)	(55,350)
Closing balance	(148,878)	(49,105)

NOTE 19: Segment reporting

Business and Geographical Segments

The sole activity of the company is that of commercialisation of a range of specialised syringes to meet the growing worldwide demand for safe, single use, automatically disabling and retractable syringes. The company through its acquisition of compatible medical device technology and intellectual property is also developing and marketing innovative patented products and technologies, and as such represents only one reportable business and geographical segment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 20: Cash flow information	Consolidated		Parent	
	2005 $	2004 $	2005 $	2004 $
(a) Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after Income Tax				
Loss from ordinary activities after income tax	(3,890,546)	(1,562,088)	(3,890,579)	(1,555,843)
Non-cash flows in loss from ordinary activities:				
Depreciation	5,884	500	5,884	500
Amortisation of intellectual property and patents	494,443	223,819	193,818	48,455
Provision for non-recoverability of loan to controlled entity	-	-	660,987	366,572
Provision for diminution of investment in controlled entity	-	-	300,657	169,119
Changes in operating assets and liabilities:				
(Increase)/decrease in receivables	18,893	(72,752)	18,894	(72,752)
Increase/(decrease) in creditors and borrowings	10,405	256,357	10,405	256,357
(Increase)/decrease in GST receivable	302,973	(328,532)	302,973	(328,532)
Increase/(decrease) in provisions	29,609	7,144	29,609	7,144
Net cash used in operating activities	(3,028,339)	(1,475,552)	(2,367,352)	(1,108,980)

(b) Non-Cash Financing and Investing Activities

There were no non-cash financing and investing activities during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 21: Events subsequent to reporting date

The following events occurred after balance date and consequently have not been brought to account at 30 June 2005.

Acquistion of 100% of Glenord Pty Ltd

Following the grant of a US patent, the Vendors of Glenord Pty Ltd exercised the Second Put option under the Glenord Share Sale Agreement and sold the remaining 15% of the Glenord Shares in return for consideration of 1,915,922 shares in Ritract Limited and $25,000 in cash. Ritract Limited therefore now owns 100% of Glenord Pty Ltd.

The legal dispute concerning rights to the Needlesleeve intellectual property between Eastland Technology Australia P/L and the inventors of Needlesleeve, Whisson et al was lost at Appeal by Eastland Technology Australia P/L. In a separate action against Ritract, concerning Ritract's right to the Needlesleeve intellectual property the Eastland Technology Australia P/L case against Ritract was found to be an abuse of the Court. In spite of these clear decisions against them, Eastland Technology Australia P/L has applied for special leave to the High Court of Australia for a hearing on their case against the inventors Whisson et al and the Master of the Court has delayed the final resolution of the case against Ritract until the decision to grant leave for a hearing is known. A decision is expected within a few months and Ritract management believes the issue will be resolved favourably.

Except for the above developments, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significant affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

NOTE 22: Related party transactions

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

Specified Directors' and Specified Executives' Remuneration

Details of specified directors' and specified executives' remuneration are disclosed in Note 5 to the financial statements.

Transactions with Specified Directors

(a) Mr Fitzgerald is a principal of HealthTec Growth Partners Pty Ltd which has provided corporate advisory services and financial management services to the consolidated entity on normal commercial terms amounting to $434,500. As at 30 June 2005 there were no amounts outstanding to HealthTec Growth Partners.

Transactions with Controlled Entities:

During the year, the company has provided interest free loans to Glenord Pty Ltd totalling $1,027,559 with no fixed repayment date.

Included in profit and loss for the year were the following expenses:

	Consolidated		Parent	
	2005 $	2004 $	2005 $	2004 $
Provision for non-recoverability of loan to controlled entity	-	-	660,987	366,572
Provision for diminution of investment in controlled entity	-	-	300,657	169,119

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 23: Financial instruments

(a) Terms, conditions and accounting policies

The consolidated entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at balance date, are as follows:

Recognised Financial Instruments	Notes	Accounting Policies	Terms and Conditions
(i) Financial assets			
Cash	8	Cash is carried at the lower of cost and net realisable value.	Cash balances in bank accounts receive the bank benchmark interest rates. Cash is at call.
Receivables – other	9	Other receivables are carried at nominal amounts due.	
Receivables - related parties/entities	9	Amounts (other than trade debts) receivable from related parties/entities are carried at nominal amounts due.	Details are set out in Note 9.
(ii) Financial liabilities			
Trade creditors and accruals	14	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the consolidated entity.	Trade liabilities are normally settled on 30 day terms.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

2005	Floating Interest Rate	Non-interest Bearing	Total	Weighted Average Effective Interest Rate
Financial Assets:				
Cash	3,112,041	-	3,112,041	4.6%
Receivables	-	38,999	38,999	
Other	-	40,418	40,418	
Total Financial Assets	3,112,041	79,417	3,191,458	
Financial Liabilities:				
Payables	-	266,762	266,762	
Total Financial Liabilities	-	266,762	266,762	

2004	Floating Interest Rate	Non-interest Bearing	Total	Weighted Average Effective Interest Rate
Financial Assets:				
Cash	4,217,893	-	4,217,893	5.4%
Receivables	-	341,972	341,972	
Other	-	59,312	59,312	
Total Financial Assets	4,217,893	401,284	4,619,177	
Financial Liabilities:				
Payables	-	256,357	256,357	
Total Financial Liabilities	-	256,357	256,357	

(a) Interest Rate Risk

All financial assets and financial liabilities are non-interest bearing except for cash balances which are deposited at variable interest rates.

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date in relation to each class of recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Statements of Financial Position and Notes to the Financial Statements.

The company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the company.

(c) Net Fair Values

The net fair values of all monetary financial assets and liabilities approximate their carrying values. No financial assets or financial liabilities are readily traded on organised markets in standardised form.

The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the Statements of Financial Position and Notes to the Financial Statements.

NOTE 24: Investments in controlled entities

Name of entity	Country of incorporation	Class of shares	Equity holding
Glenord Pty Ltd	Australia	Ordinary	85%

As disclosed in Note 21 the remaining 15% of the issued share capital was acquired by Ritract Limited subsequent to year end to increase its equity holding in Glenord Pty Ltd to 100%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 25 Commitments for expenditure

Operating leases	Consolidated		Parent	
	2005 $	2004 $	2005 $	2004 $
Commitments for minimum lease payments in relation to non-cancellable operating leases for office premises are payable as follows:				
Within one year	5,530	18,300	5,530	18,300
Total commitments not recognised in the financial statements	5,530	18,300	5,530	18,300

NOTE 26 Impact of adoption of Australian Equivalents to International Financial Reporting Standards

The Company is preparing and managing the transition to Australian Equivalents of International Financial Reporting Standards (AIFRS) effective for reporting periods commencing on or after 1 January 2005. The adoption of AIFRS will be reflected in the consolidated and parent entities' financial statements for the year ending 30 June 2006. On first time adoption of AIFRS comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

The consolidated entity's management has assessed the significance of the expected changes and is preparing for their implementation. The impact of the alternative treatments and elections under AASB 1: First Time adoption of Australian Equivalents to International Financial Reporting Standards have been considered where applicable.

The company's management and Board are of the opinion that the key potential implications in the consolidated entity's accounting policies which will arise from the adoption of AIFRS and the financial effect of these differences are as follows. Users of these financial statements should note, however, that amounts disclosed could change if there are amendments made to the current AIFRS by accounting and other regulatory bodies, or if management's or the Board's interpretation of the AIFRS requirements changes as a result of the continuing review of the implementation of AIFRS.

Taxation

Under AASB 112; Income Taxes, tax assets and liabilities are recognised using the balance sheet approach rather than an income statement approach. In addition, tax assets are recognised when recovery is probable rather than assured beyond reasonable doubt and/or virtually certain. This will result in a change to the current accounting policy, under which income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account either as a provision for deferred income tax or future income tax benefit. The directors do not consider there to be any material impact as at the date of this report upon the reported results.

Impairment of assets

The company currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the asset's use and subsequent disposal. In terms of AASB 136 "Impairment of Assets", the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for each individual asset. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

The consolidated entity has reassessed its impairment testing policy and has tested all assets for impairment as at 1 July 2005. The directors do not consider there to be any material impact as at the date of this report upon the reported results.

Equity-based compensation benefits

Under AASB 2 "Share Based Payment", equity-based compensation to employees will be recognised as an expense in respect of the services received. This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.

If the policy required by AASB 2 had been applied during the year ended 30 June 2005, the consolidated and parent entity share based payment reserve as at 30 June 2005 would have been $86,589 higher. This valuation has been determined using using the Black – Scholes option pricing model. A corresponding increase of $86,589 would occur in accumulated losses at 30 June 2005 and in the loss for the year then ended to reflect this expense.

DIRECTORS' DECLARATION

In the opinion of the directors of the company :

1. the financial statements and notes, as set out on pages 24 to 45 are in accordance with the Corporations Act 2001; and
    a. comply with Accounting Standards in Australia and the Corporations Regulations 2001; and
    b. give a true and fair view of the financial position as at 30 June 2005 and of the financial performance for the year ended on that date of the Company and the consolidated entity; and
2. the Managing Director and Company Secretary have each declared that:
    a. the financial records of the company for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
    b. the financial statements and notes for the financial year comply with the Accounting Standards; and
    c. the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Board

Mr M Boyd
Chairman

Place: Perth, WA

Dated 30th day of September 2005

HLB Mann Judd
Chartered Accountants

INDEPENDENT AUDIT REPORT

To the members of

RITRACT LIMITED

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 both RiTract Limited ("the company") and the consolidated entity for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during the 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, Accounting Standards and other mandatory professional 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.

The Directors' Report attached to the financial statements includes a copy of the Independence Declaration dated 30 September 2005 given to the Directors by the lead auditor for the audit. That Declaration would be in the same terms if it had been given to the Directors at the time this audit report was made.

Audit Opinion

In our opinion, the financial report of RiTract 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 2005 and of their performance for the year then ended; and

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

(b) other mandatory financial reporting requirements in Australia.

HLB MANN JUDD

Chartered Accountants

PERTH, WESTERN AUSTRALIA
30 September 2005

L DI GIALLONARDO
Partner

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is disclosed in accordance with Section 4.10 of the Australian Stock Exchange Ltd Listing rules in respect of listed public companies only.

The following information is supplied as at 23 September 2005.

1. Analysis of Shareholdings

a. Distribution of Shareholders

	Ordinary Shares	
Number of Ordinary Shares Held	Number of holders	Number of shares
1 – 1,000	25	12,391
1,001 – 5,000	385	1,252,302
5,001 – 10,000	374	3,304,938
10,001 – 100,000	858	27,795,828
100,001 – and over	120	54,896,966
	1,762	87,262,425

The number of shareholders holding less than a marketable parcel of shares are is 65 with a total holding of 67,109 shares.

b. Distribution of Optionholders

	Options	
	Number of holders	Number of options
1 – 1,000	12	9,413
1,001 – 5,000	147	477,425
5,001 – 10,000	198	1,831,029
10,001 – 100,000	415	14,861,629
100,001 – and over	91	42,556,509
	863	59,736,005

2. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

— Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options

— No voting rights.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

3. Twenty Largest Shareholders of quoted Ordinary Shares

	Name	Number of Ordinary Shares	Percentage of Total
1.	Blackmort Nominees Pty Ltd	8,180,000	9.374
2.	Fifth Glenmar Pty Ltd <Fifth Glenmar Property A/C>	5,637,378	6.460
3.	Mr Bruce Wallace Ingram	5,060,338	5.798
4.	Covenant Nominees Pty Ltd	3,000,000	3.437
5.	Sante Holdings Pty Ltd <DEC Family A/C>	2,150,001	2.463
6.	Samp Pty Ltd <P J Fitzgerald A/C>	1,864,064	2.136
7.	Mrs Jodie Leigh Gartner	1,365,278	1.564
8.	Mr Andrew Frederick Theakstone	1,285,590	1.473
9.	Dr Maxwell Edmund Whisson <The Symbiont A/C>	1,117,500	1.280
10.	Five Tigers Investment Corporation Ltd	920,000	1.054
11.	Silverfern Nominees Pty Ltd	850,500	0.974
12.	The Health Information Service Pty Ltd	750,000	0.859
13.	Dorney Nominees Pty Ltd	670,000	0.767
14.	Barnett Eason Pty Ltd	600,000	0.687
15.	Five Tigers International Ltd	500,000	0.572
16.	Chata Holdings Pty Ltd <Chata Super Fund A/C>	500,000	0.572
17.	Mr Milivoje Roganovic	489,000	0.560
18	Mrs Grace Bono	486,000	0.556
19.	ANZ Nominees Limited <Cash Income A/C>	475,500	0.544
20.	Mr Stuart Neil Theakstone	454,238	0.520
		36,355,387	41.65

4. Twenty Largest Optionholders

		Number of Options	**Percentage of Total**
1.	ANZ Nominees Limited <Cash Income A/C>	5,932,503	9.931
2.	Mr Bruce Wallace Ingram	3,653,000	6.115
3.	Fifth Glenmar Pty Ltd <Fifth Glenmar Property A/C>	3,438,750	5.756
4.	Covenant Nominees Pty Ltd	2,000,000	3.348
5.	Dr David Igor Klein	1,815,000	3.038
6.	Ms Rene Pursell	1,363,152	2.281
7.	Mr Mohammed Saeed	1,358,100	2.273
8.	Five Tigers International Ltd	1,000,000	1.674
9.	Chata Holdings Pty Ltd <Chata Super Fund A/C>	990,385	1.657
10.	Siebfam Nominees Pty ltd	969,622	1.623
11.	Five Tigers Investment Corporation Ltd	920,000	1.540
12.	Samp Pty Ltd <P J Fitzgerald A/C>	858,750	1.437
13.	Integrated Healthcare Investments Pty Ltd	750,000	1.255
14.	Staness Pty Ltd <Brooks Family A/C>	700,000	1.171
15.	Free Agent Pty Ltd	545,500	0.913
16.	Dominion Investments Pty Ltd	514,048	0.860
17.	Ian K Nixon Pty Ltd <Ian K Nixon Super Fund A/C>	500,000	0.837
18	Michael Wooldridge & Associates Pty Ltd	500,000	0.837
19.	Pisces Projects Pty Ltd <Kulpa Super Fund A/C>	470,000	0.786
20.	Wildest Pty Ltd	450,000	0.753
		28,728,810	48.08

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

5. Escrowed and unquoted Securities

The number and class of restricted securities and date of escrow are:

	Number of holders	Number	Date escrow period ends
Ordinary Shares:	16	10,930,005	19 December 2005
Total Ordinary Shares	16	10,930,005	

Blackmort Nominees Pty Ltd holds 4,000,000 of the escrowed unquoted ordinary shares representing 37% of the total escrowed unquoted ordinary shares on issue.

Performance Shares:			
Total Class C	5	3,650,000	19 December 2005

Blackmort Nominees Pty Ltd holds 2,000,000 of the escrowed unquoted Class C Performance shares representing 55% of the total escrowed unquoted Class C Performance shares on issue.

6. Statement in accordance with ASX Listing Rule 4.10.19

The Company believes that for the year ended 30 June 2005, it used its cash and assets in a form readily convertible to cash, that it held at the time of admission in a way consistent with its business objectives.