



Eastland Medical Systems LTD

Annual Report 2008

EASTLAND MEDICAL SYSTEMS LTD

CORPORATE DIRECTORY

2008

Parent Company

DIRECTORS

MR PETER JOOSTE QC
MR DERMOT PATTERSON
MR DOUGLAS SIMS
MR PETER TIEDE
MR DAVID WHITELAW

COMPANY SECRETARY

MR TREVOR STRAHAN

MANAGEMENT

MR DERMOT PATTERSON
MR DOUGLAS SIMS
MR TREVOR STRAHAN
MR PETER TIEDE
M/S JANET BAKER

CHIEF EXECUTIVE OFFICER
PRODUCT DEVELOPMENT
COMPANY SECRETARY
CHIEF FINANCIAL OFFICER
OFFICE MANAGER

REGISTERED OFFICE

EASTLAND MEDICAL SYSTEMS LTD
ABN 35 090 987 250
54 LINDSAY STREET
PERTH. W.A. 6000
TELEPHONE
FACSIMILE
EMAIL
WEBSITE

PO Box 8027
Perth Business Centre WA 6849
(08) 9436 9500
(08) 9436 9505
eastland@eastlandmedical.com.au
www.eastlandmedical.com.au

SHARE REGISTRY

ADVANCED SHARE REGISTRY SERVICES LTD
150 STIRLING HIGHWAY
NEDLANDS. W.A. 6009
TELEPHONE
FACSIMILE

PO Box 1156
Nedlands. WA 6909
(08) 9389 8033
(08) 9389 7871

AUDITORS

GRANT THORNTON (WA) PTY LTD
LEVEL 1, 10 KINGS PARK ROAD
WEST PERTH. W.A. 6005
TELEPHONE
FACSIMILE

(08) 9480 2000
(08) 9322 7787

BANKERS

A.N.Z. BANKING GROUP
CORPORATE BANKING
LEVEL 7, 77 ST GEORGES TERRACE
PERTH. W. A. 6000
TELEPHONE

(08) 9323 8480

HOME STOCK EXCHANGE

AUSTRALIAN SECURITIES EXCHANGE LTD
EXCHANGE PLAZA
2 THE ESPLANADE
PERTH. W.A. 6000

LISTING CODE : ORDINARY SHARES
ORDINARY OPTIONS

EMS
EMSO

WHOLLY OWNED SUBSIDIARY
CORPORATE DIRECTORY

**Portland Surgical Products
Pty Ltd**

2008

DIRECTORS

MR DERMOT PATTERSON
MR DOUGLAS SIMS
MR PETER TIEDE

COMPANY SECRETARY

MR TREVOR STRAHAN

GENERAL MANAGER

MR ANDRE LAGADEC

FINANCIAL CONTROLLER

MR PETER TIEDE

REGISTERED OFFICE

54 LINDSAY STREET
PERTH. W.A. 6000

PLACE OF BUSINESS

PORTLAND SURGICAL PRODUCTS P/L
ACN. 005 729 895
UNIT C2, 16 MARS ROAD
LANE COVE NSW 2066
TELEPHONE
FACSIMILE

(02) 9490 6220
(02) 9490 6299

AUDITORS

GRANT THORNTON (WA) PTY LTD
LEVEL 1, 10 KINGS PARK ROAD
WEST PERTH. W.A. 6005
TELEPHONE
FACSIMILE

(08) 9480 2000
(09) 9322 7787

BANKERS

A.N.Z. BANKING GROUP
CORPORATE BANKING
LEVEL 7, 77 ST GEORGES TERRACE
PERTH. W. A. 6000
TELEPHONE

(08) 9323 8480

WHOLLY OWNED SUBSIDIARY CORPORATE DIRECTORY Medical Industries Australia Pty Ltd	
	2008
DIRECTORS	MR DERMOT PATTERSON MR PETER TIEDE
COMPANY SECRETARY	MR TREVOR STRAHAN MR RUDHI BHINDI
FINANCIAL CONTROLLER	MR RUDHI BHINDI
CHIEF EXECUTIVE OFFICER	MR ANGUS TAYLOR
REGISTERED OFFICE	54 LINDSAY STREET PERTH. W.A. 6000
PLACE OF BUSINESS	MEDICAL INDUSTRIES AUSTRALIA P/L ACN. 100 452 140 UNIT C-2, 16 MARS ROAD LANE COVE N.S.W. 2066 TELEPHONE (02) 9490 6200 FACSIMILE (02) 9490 6298
AUDITORS	GRANT THORNTON (WA) PTY LTD LEVEL 1, 10 KINGS PARK ROAD WEST PERTH. W.A. 6005 TELEPHONE (08) 9480 2000 FACSIMILE (09) 9322 7787
SOLICITORS	HOLDING REDLICH LEVEL 65, M.L.C. CENTRE 19 MARTIN PLACE SYDNEY. N.S.W. 2000 TELEPHONE (02) 8083 0388 FACSIMILE (02) 8083 0399
BANKERS	A.N.Z. BANKING GROUP CORPORATE BANKING LEVEL 7, 77 ST GEORGES TERRACE PERTH. W. A. 6000 TELEPHONE (08) 9323 8480

WHOLLY OWNED SUBSIDIARY**CORPORATE DIRECTORY****Eastland Medical Research
Pty Ltd****2008****DIRECTORS**MR DERMOT PATTERSON
MR DOUGLAS SIMS
MR PETER TIEDE**COMPANY SECRETARY**

MR TREVOR STRAHAN

REGISTERED OFFICE54 LINDSAY STREET
PERTH. W.A. 6000**PLACE OF BUSINESS**EASTLAND MEDICAL RESEARCH PTY LTD
ACN. 092 990 200
54 LINDSAY STREET
PERTH. W.A. 6000
TELEPHONE
FACSIMILE(08) 9436 9500
(08) 9436 9505**AUDITORS**GRANT THORNTON (WA) PTY LTD
LEVEL 1, 10 KINGS PARK ROAD
WEST PERTH. W.A. 6005
TELEPHONE
FACSIMILE(08) 9480 2000
(09) 9322 7787**BANKERS**A.N.Z. BANKING GROUP
CORPORATE BANKING
LEVEL 7, 77 ST GEORGES TERRACE
PERTH. W. A. 6000
TELEPHONE

(08) 9323 8480

WHOLLY OWNED SUBSIDIARY CORPORATE DIRECTORY	
Eastland Medical (W.A.) Pty Ltd	2008
DIRECTORS	MR CRAIG INGLIS MR DOUGLAS SIMS MR PETER TIEDE
COMPANY SECRETARY	MR TREVOR STRAHAN
FINANCIAL CONTROLLER	MR PETER TIEDE
REGISTERED OFFICE	54 LINDSAY STREET PERTH. W.A. 6000
PLACE OF BUSINESS	EASTLAND MEDICAL (W.A.) PTY LTD ACN. 119 200 672 TRADING AS: WESTCOAST SURGICAL & MEDICAL SUPPLIES 56 CATALANO CIRCUIT CANNING VALE. W.A. 6155 TELEPHONE (08) 9455 6676 FACSIMILE (08) 9455 6686
AUDITORS	GRANT THORNTON (WA) PTY LTD LEVEL 1, 10 KINGS PARK ROAD WEST PERTH. W.A. 6005 TELEPHONE (08) 9480 2000 FACSIMILE (09) 9322 7787
BANKERS	BANKWEST BALCATTa BUSINESS BANKING CENTRE LEVEL 1, 199 BALCATTa ROAD BALCATTa. W. A. 6014 TELEPHONE (08) 9240 3622

WHOLLY OWNED SUBSIDIARY CORPORATE DIRECTORY Eastland Medical (Qld) Pty Ltd		
	2008	
DIRECTORS	MR DERMOT PATTERSON MR DOUGLAS SIMS MR PETER TIEDE	
COMPANY SECRETARY	MR TREVOR STRAHAN	
REGISTERED OFFICE	54 LINDSAY STREET PERTH. W.A. 6000	
PLACE OF BUSINESS	EASTLAND MEDICAL (QLD) PTY LTD ACN. 119 200 663 54 LINDSAY STREET PERTH. W.A. 6000 TELEPHONE (08) 9436 9500 FACSIMILE (08) 9436 9505	
AUDITORS	GRANT THORNTON (WA) PTY LTD LEVEL 1, 10 KINGS PARK ROAD WEST PERTH. W.A. 6005 TELEPHONE (08) 9480 2000 FACSIMILE (08) 9322 7787	
BANKERS	A.N.Z. BANKING GROUP CORPORATE BANKING LEVEL 7, 77 ST GEORGES TERRACE PERTH. W. A. 6000 TELEPHONE (08) 9323 8480	

**EASTLAND MEDICAL SYSTEMS LTD ABN 35 090 987 250
AND CONTROLLED ENTITIES**

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Chairman's Report

Dear Fellow Stakeholders,

It is with pleasure that the Board presents your Company's Annual Report for the year ended 30 June 2008.

We believe we can report overall success across the divisions as follows:

- ArTiMist™ has achieved significant clinical outcomes – the Phase I clinical trial is complete with excellent and better than expected results.
- HC Berlin Pharma AG our contract manufacturer for ArTiMist™ and NiCoSorb™, located in Potsdam, Germany is ready to list on the *Frankfurt Stock Exchange*.
- Strategic marketing & distribution partnerships are being pursued and forged in Africa, Asia and Europe.
- Domestic operations have been rationalised to improve efficiencies and decrease costs.
- ClipOn® and Vetlock®, in their improved form, are ready for production as safety needles of world class.

ArTiMist™: Phase I trials for ArTiMist™, which included both single and multi dose studies, were successfully completed in February 2008. Phase III trials will now proceed in Africa, based on the excellent results achieved in Phase I, which showed a significant improvement in the bio-availability via the sublingual route over tablet treatments. Currently our Company is also in discussion with a number of regional Government Agencies in relation to Clinical Trial submissions targeted for the final quarter of 2008.

Investments: HC Berlin Pharma AG, in which Eastland has a significant shareholding, is to be listed on the *Frankfurt Stock Exchange*. HC Berlin Pharma AG will be our contract manufacturing hub based in Potsdam, Germany, for both ArTiMist™ and NiCoSorb™. In addition, Eastland increased its voting power in Star Medical (Botswana) Ltd to over 85% during the year.

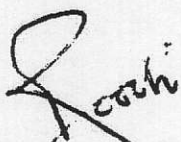
Strategic partners: With the introduction of ArTiMist™ moving closer, Eastland is developing key strategic partnerships to secure optimum product distribution and marketing coverage.

Domestic Operations: To improve efficiencies and better manage resources on the East Coast, the Portland Surgical Products operation has been merged with Medical Industries Australia (MIA). This has been effected to achieve increased margin along with a decrease in costs. Despite the best efforts by the management of MIA and recent uptrends, the results of MIA over the year were insufficient to resist an asset impairment write off of the relevant goodwill figure in the books (\$4.5 m).

The Board will maintain its focus on sustaining the improvements made, and consolidating the positive results achieved, especially the endeavours of Westcoast Surgical in their results from the mining Sector in Western Australia.

Focus, commitment and passion in 2009 will yield further positive results. In ArTiMist™, with its potential to revolutionise the treatment of malaria in children, the Company has a product which can clearly "*make a difference*", both to you as stakeholders, as well as to the social fabric of those nations, principally in Africa, that suffer the staggering death toll that malaria levies.

Finally, on behalf of the Board, I would like to thank the entire Eastland Medical Systems team, including our dedicated staff, our Principal Pharmaceutical Consultant Mr. Calvin Ross, and our advisers, for their consistent support and efforts which have helped make the past year one of "*major milestones*".



Peter Jooste QC
Chairman
Eastland Medical Systems Ltd.

Operations Review

PHARMACEUTICAL DIVISION

ArTiMist™

Eastland® have progressed its new pharmaceutical project ArTiMist™ in accordance with its projections for 2008. Eastland completed a Phase I open labelled randomised Multi and Single dose studies designed to determine the Pharmacokinetics, Bioequivalence and relative Bio Availability of Artemether when administered in a sub lingual mono spray and oral tablets.

The results from the independent report showed that:

- The sublingual mono route has higher bio availability when compared to the oral route.
- The Eastland® Artemether sublingual treatment in 3mg and 6mg strength are equivalent when given at the same total dose.
- The Cmax of Artemether and Dihydroartemisinin has proven dose proportionality.
- Eastland®'s sublingual treatment is well tolerated and safe.

These successful studies allow Eastland® to proceed to its Phase III Clinical Field Trials which are expected to commence during fourth quarter 2008. These trials will be open labelled and conducted with children up to 5 years and are suffering with severe Malaria, which is the patient demographic group where the most deaths are recorded. It is clearly recognised that for both children and adults who are in this group they cannot swallow tablets.

NiCoSorb™

The development of NiCoSorb™ Nicotine Replacement Therapy, while on track, has fallen slightly behind schedule as the Company elected to focus on its development of the ArTiMist™ project to progress to revenues in the shortest period for the Company, in preference to continuing the substantial input into NiCoSorb™ during early 2008. The NiCoSorb™ project will recommence to full scale development during the last quarter 2008 and progress to Trials in the first half 2009.

INTERNATIONAL RESTRUCTURE

During the period 2008 Eastland® increased its holding in Star Medical (Botswana) Limited from 28% to 87%. This increase was in line with Eastland®'s intention to secure a controlling interest in Star during the period. This forms an important role in the corporate strategy of Eastland® leading into 2009.

Eastland® South African subsidiary EMSSA sold its African manufacturing rights for ArTiMist™ to HC Berlin Pharma AG, in which Eastland has a significant shareholding and forfeited its distribution rights back to Star Medical (Botswana) Limited where Eastland have secured a 87% holding. EMSSA have now ceased business and Eastland are in the process of recovering all loan funds.

Eastland® were also successful in concluding a vend of their manufacturing rights covering India, Asia and Pacific Islands to HC Berlin Pharma AG which is scheduled to list on the Frankfurt Stock exchange during the last quarter 2008. The conclusion of these contracts ensures Eastland® supply of high quality manufactured product and alleviates Eastland® of substantial capital costs.

DOMESTIC RESTRUCTURE

Eastland continued to introduce its operational strategy into its domestic operations and alleviate the company of its past shortcomings. During 2008 the company undertook a complete waste management review and implemented several changes which have resulted in substantial improvements in its operations.

As part of these changes Eastland announced in December 2007 the merger of its Victorian based manufacturing facility, Portland Surgical Products Pty Ltd with its Sydney based subsidiary Medical Industries Australia Pty Ltd (MIA). The merger was completed in the early half of 2008 and the company is in the process of selling its property in Portland. This merger has proven to be extremely positive.

During 2008 Eastland®'s Sydney based subsidiary Medical Industries Australia Pty Ltd acquired the assets of Phoenix Medical Equipment Services Pty Ltd a Q3 2007 federally accredited aged care Service Company. The acquisition of this company has already opened new sales and service opportunities for MIA and has assisted in increasing revenues.

MIA complimented this acquisition by securing the exclusive distribution of two patented product lines in the SeQual Oxygen Concentrator and Contiform together with exclusive authorised servicing of SeQual for the Australian and Pacific Regions. The management & staff of MIA are to be congratulated in their efforts and cooperation in bringing the changes and benefits to the company and its shareholders for 2008.

Eastland®'s Perth based subsidiary West Coast Surgical & Medical Supplies Pty Ltd (West coast) has been successful in expanding its operations to provide its range of products into the vast network of mining companies and operations throughout Australia. West Coast is confident this growth will continue throughout 2009 and deliver increased revenues for the company. The management & staff of West Coast are to be congratulated on their efforts and cooperation in bringing the changes and benefits to the company and its shareholders for 2008. As a result of new reporting and accounting procedures Eastland were compelled to write down its goodwill and loans within the group for year 2007-2008. This resulted in a write off of \$6.8 ml, however the company has already started the recovery of these write downs and is on track to recover at least \$2.0 Ml before the end of 2008. With the restructuring nearing completion Eastland® are confident that they will recover all of these write offs in the next 18 months, which recovery goes to the bottom line of the company's financials in the coming reporting periods.

**EASTLAND MEDICAL SYSTEMS LTD ABN 35 090 987 250
AND CONTROLLED ENTITIES**

DIRECTORS REPORT

The directors present their report on the Company and its controlled entities for the financial year ended 30 June, 2008.

The names of directors for Eastland Medical Systems Ltd in office at any time during or since the end of the year are:

Mr. Peter I. JOOSTE QC		Mr. Douglas A. SIMS
Mr. Francis (Don) O'SULLIVAN	Resigned 12 November 2007	Mr. Peter M. TIEDE
Mr. Dermot P. PATTERSON		Mr. David J. WHITELAW

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

COMPANY SECRETARY

Mr. Trevor Strahan is an Associate Member of the Institute of Management Consultants who joined Eastland in March 2001. Engaged initially as a consultant to assist with the completion and submission of the IPO Prospectus and the subsequent ASX Listing of the Company in January 2002, he was appointed to the position of Company Secretary on 4 February, 2002. Trevor currently holds a number of Company Secretarial positions with other public and private companies. He is also the Company Secretary to all of the group's subsidiaries.

INFORMATION ON DIRECTORS

The directors holding office at the date of this report are as follows:

EASTLAND MEDICAL SYSTEMS LTD



Peter Innes Jooste QC (Age 64) – Non Executive Director & Chairman

Mr. Peter Jooste QC was appointed a non-executive director of Eastland Medical Systems Ltd on 3 July, 2006 and to the position of Chairman on 4th December 2006.

Peter Jooste brings to Eastland his widespread knowledge in all areas of Corporate Law including, Mergers, Floats and Capital Raising.

Born in South Africa and educated in both South Africa and England, he is well respected in his field.

His experience as a Director on Company Boards, Government Councils and Advisory Boards in both South Africa and Australia, including Past President of the Australian Southern African Business Council Inc (WA) and International Business Council provides a significant level of experience to the Board of Eastland.

He is an Australian citizen residing in Perth, Western Australia since 1986.



Douglas Arthur Sims (Age 65) –Executive Director, Product Development Manager.

Mr. Doug Sims was appointed a Director of Eastland on 2nd March 2004 and has an extensive background in the field of intellectual property and patent protection.

Educated in Perth, Western Australia, his early years saw him involved in agriculture, where he continually involved himself in the improvement of farm machinery. Having sold his interests in farming, Doug moved into an entrepreneurial role in developing new products for commercialisation. The 1980's saw the development of "Bead Cheata" a system for removing tyres from oversized machinery, Bead Cheata is now manufactured and used all over the world.

Doug has gained considerable experience in the development of products from concept to commercial production and distribution. He has established factories in Australia, China, Malaysia and the USA to manufacture a wide range of products developed under his control for global distribution.

He is a founding Director of a related medical company, Eastland Technology Australia Pty Ltd.

Mr Sims is an Australian citizen and resides in Perth, Western Australia.

**EASTLAND MEDICAL SYSTEMS LTD ABN 35 090 987 250
AND CONTROLLED ENTITIES**

DIRECTORS REPORT



Peter Michael Tiede (Age 39) C.P.A. –Executive Director & Chief Financial Officer

Mr. Peter Tiede was appointed a Director of Eastland Medical Systems Ltd on 7 May 2007.

Peter Tiede joined Eastland Medical Systems Ltd in April 2004, as Group Accountant with a charter to streamline the accounting system across the group of companies. Majoring in Accounting and Information Systems at Curtin University and with 10 years extensive experience in the field, Peter comes highly qualified for the role as Chief Financial Officer

Peter is an Australian Citizen and resides in Perth Western Australia, with his wife and children.



David John Whitelaw (Age 53) B.Sc. (Hons) Non-Executive Director.

Mr. David Whitelaw has held the position of Executive Director with Eastland Medical Systems Ltd since September 2002 and then as a Non- Executive Director since October 2006.

David has a broad business background and over the past 20 years has acquired extensive international management experience within the pharmaceutical and healthcare industry. His career within the medical industry has focused on the hospital market segment, encompassing senior management positions in the UK, USA and Australia with roles in business development, marketing and international sales. David has held positions with major international organisations, including Procter & Gamble Ltd, The Powell & Scholefield Group and The Upjohn Company.

David spent 3 years involved in the stockbroking industry as a corporate adviser specialising in health care and biotechnology companies. He graduated with a Bachelor of Science (Hons) from Glasgow University, Scotland and is now an Australian citizen, residing in Perth, Western Australia with his wife and two children.



Dermot P Patterson. (Age 49) M.B.A. Executive Director & Chief Executive Officer

Mr. Dermot Patterson was appointed as the Group's Chief Executive Officer on the 4th September, 2006 and subsequently a director on 1st December 2006. Mr. Patterson has a Master of Business Administration from the University of Western Australia, a Surgical Technologist Diploma from Paddington College UK and brings to the Company 25 years extensive senior executive experience, demonstrating strong management performance with both national & international companies.

He also held the position of the Group Regional Director, Australasia of UK public listed Huntleigh Technology plc, a leading global healthcare company specialising in design and manufacture of a range of non-invasive healthcare devices and instrumentation for medical applications. This experience provides an ideal background to assist Eastland to grow its range of patented safe parenteral devices and associated surgical and hospital range of products.

Mr. Patterson's 20 year career with Huntleigh provided a wealth of international marketing experience in the UK, continental Europe, North & South America and more recently the Asia Pacific region including the Australian markets. During his latter term of employment he also established several subsidiaries in China, Japan, Singapore and Australia.

Mr Patterson is an Australian citizen and resides in Perth, Western Australia.

**EASTLAND MEDICAL SYSTEMS LTD ABN 35 090 987 250
AND CONTROLLED ENTITIES**

DIRECTORS REPORT



Trevor Preston Strahan (Age 58) A.M.I.M.C.; –Company Secretary

Mr. Trevor Strahan has been the Company Secretary since February 2002 and a Director of Eastland® until his retirement at the close of the 2005 Annual General Meeting. Trevor's broad business background includes extensive management and marketing experience with a national finance institution over a 20 year period. As a Management Consultant he gained insight into the operations of a variety of manufacturing, retailing and mining operations throughout Western Australia. He has held previous Directorships on the boards of several public companies.

Trevor has been involved with the company over a long period of time, initially as an advisor in the preparation of the Prospectus, and more recently as the Company Secretary to Eastland and its various subsidiaries.

Trevor is an Australian citizen and resides in Perth, Western Australia.

INFORMATION ON OTHER OFFICERS (INCLUDING THE SUBSIDIARIES)



Andre Lagadec (Age 61) – General Manager, Portland Surgical Products Pty Ltd.

Andre Lagadec commenced as General Manager for Portland Surgical Products in February 2007. Born in France, Andre has had over 30 years experience as a Production Manager in the Health Care Industry, as well as extensive experience in production planning and quality assurance. His engineering background in design and construction of manufacturing plants for the Medical and Pharmaceutical Industries make him a major asset to the Eastland Group.

Andre and his wife currently reside in Sydney, New South Wales.



***Craig Robert Inglis (Age 52) – Managing Director,
Eastland Medical (WA) Pty Ltd***

Trading as: Westcoast Surgical & Medical Supplies

Craig brings 30 years of both practical and commercial experience in the Hospital and medical fields to the Eastland management team. After 9 years in the WA State Health labs he gained valuable experience in both purchasing and supply with Royal Perth Hospital. His subsequent commercial experience was gained with Becton Dickinson, one of the worlds leading medical device companies where he latterly held the position of State Manager. Over the past 12 years Craig has taken West Coast Surgical from inception to the highly successful and well respected business that it is today.



***Angus Morrison Taylor (Age 63) - Chief Executive Officer,
Medical Industries Australia Pty Ltd***

Angus Taylor has had more than 25 years experience in the fields of manufacturing, QA, marketing & sales in medical technology. He worked as a medical scientist in the UK and South Australia, subsequently gaining managerial experience with Australian, U.S. medical device & Japanese pharmaceutical companies. Angus has an MBA from Macquarie University.

He has a proven record in business development and has a strong focus on customer needs.

**EASTLAND MEDICAL SYSTEMS LTD ABN 35 090 987 250
AND CONTROLLED ENTITIES**

DIRECTORS REPORT

DIRECTORS' INTERESTS IN SHARES

At the date of this report, the directors held the following beneficial interests in the share capital of the Company: -

Director	Ordinary Shares	Options
Mr. D.P. Patterson	220,000	Nil
Mr. D.A. Sims	28,700,675	Nil
Mr. P. M. Tiede	53,575	Nil
Mr. D.J. Whitelaw	131,250	Nil

PRINCIPAL ACTIVITIES

The principal activities of the economic entity during the financial year were mainly focused within the Pharmaceutical Division with the development of the anti-malaria sub-lingual treatment ArTiMist™. The Company carried out successful phase 1 single dose trials in Malaysia in November 2007 and multi dose trials in South Africa in February 2008. The Phase 3 trial is targeted for November 2008 subject to authorisation by the relevant authorities.

During the year the Company continued to increase its share holding in Star Medical Botswana Limited, an African drug development company who hold the exclusive rights to the Intellectual Property for ArTiMist™, through a number of share holder acquisitions.

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

OPERATING RESULT

The consolidated loss of the consolidated group after providing for income tax and eliminating minority interests amounted to (\$9,633,525) : (2007: loss of \$2,007,363).

DIVIDENDS PAID OR RECOMMENDED

The Directors have recommended that no dividend be paid by the Company in respect of the financial year ended 30 June, 2008.

FINANCIAL POSITION

The net assets of the consolidated group have decreased by \$3,817,484 to \$10,509,687 in 2008. This decrease has largely resulted from the following factors:

- impairment of associate company loans/investments and goodwill to the value of \$6,187,669
- increased depreciation of property, plant and equipment to rationalise Portland Surgical Products Pty Ltd
- an increase in trade and term receivables of \$996,612
- decrease in inventories of \$576,430
- decrease in trade payables and accruals of \$67,879
- increase in provisions of \$475,727

The director's believe the group is in a strong and stable financial position to expand and grow its current distribution and pharmaceutical operations. It is anticipated the Group's performance will improve significantly in this current financial year with the rationalisation of its current distribution operations and the anticipated commercialisation of its pharmaceutical products.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS 2008

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

- On 20th August 2007 the Company issued 12,300,000 fully paid ordinary shares to sophisticated investors with clients of RM Capital Pty Ltd at an issue price of \$0.18 cents per share and 12,300,000 Options exercisable at \$0.20 cents expiring 31st May 2011.
- On 30th August, 2007 the Company commences an unmarketable parcel sweep.
- On 14th September 2007 Eastland Medical Systems South Africa assigns ArTiMist™ manufacturing Rights to HC Berlin Pharma AG for 1 million Fully Paid Euro 1.00 ordinary shares.
- On 3rd October 2007 the Company issues 125,000 ordinary shares at \$0.16 cents.
- On 18th October 2007 the Company advises that the final stages of Phase 1 clinical trials in Malaysia are underway.
- On 8th November 2007 the Company confirms the completion of the unmarketable parcel sweep at \$0.18 cents.
- On 12th November 2007 Mr Don O'Sullivan resigns as a Director of the Company and associated subsidiaries.
- On 15th November 2007 to Company acquires a controlling interest in Star Medical Botswana increasing its share holding to 55%.
- On 20th November 2007 the Company advises the acquisition of Phoenix Medical Equipment Services.
- On 21st November 2007 the Single dose human clinical trial in Malaysia completed with positive results.
- On 29th November 2007 an issue of 261,628 ordinary fully paid shares at \$0.172 cents as part settlement of Phoenix Medical Equipment Services.
- On 7th December 2007 the Company issued 15,300,000 ordinary options exercisable at \$0.20 cents expiring 31st May, 2011.

EASTLAND MEDICAL SYSTEMS LTD ABN 35 090 987 250 AND CONTROLLED ENTITIES

DIRECTORS REPORT

- On 21st December 2007 the Company closes Portland Surgical Products Pty Ltd manufacturing facility and merges operations with Medical Industries Australia Pty Ltd based in Sydney.
- On 21st January, 2008 the Company receives approval from South African MCC Regulatory Body to commence multi dose trials for ArTiMist™.
- On 23rd January 2008 the Company issued 4,062,500 ordinary shares at \$0.16 cents per share and 4,062,500 Options exercisable at \$0.20 cents expiring 31st May 2011.
- On 28th February, 2008 the Company confirms the successful completion of Phase 1 multi dose trials in South Africa.
- On 14th April 2008 Eastland® presents ArTiMist™ to Sydney Brokers and Consulates of Malaria infected Countries.
- On 16th April 2008 Eastland® presents ArTiMist™ to Perth Brokers and Consulates of Malaria infected Countries.
- On 24th April 2008 the Company issued 10,983,504 ordinary shares at \$0.15 cents and 10,983,504 Options exercisable at \$0.20 cents expiring 31st May 2011 and 6 million employee Options exercisable at \$0.15 cents expiring 18th April, 2012.
- On 22nd May 2008 Eastland® increases shareholding in Star Medical Botswana Limited to 78%
- On 18th June 2008 Eastland® Associate Company and manufacturer of ArTiMist™ HC Berlin Pharma AG moves to secure Euro 42.0 million in funding to complete manufacturing plant in Potsdam Germany.
- On 27th June 2008 Eastland® increases shareholding in Star Medical Botswana Limited to 87%

SHARE OPTIONS

Option-holders holding listed options issued in during the year (Class EMSO), exercisable at \$0.20cents are reminded that those options automatically expire on 31 May 2011.

Option-holders holding unlisted options issued in during the year (Class EMSAS), exercisable at \$0.15cents are reminded that those options automatically expire on 18 April 2012.

DIRECTORS' MEETINGS

During the financial year, 8 meetings of directors (including committees of directors) were held. Attendances by each director of the Company were as follows:

Directors names	Directors'		Audit		Committee Meetings		Human		Operating	
	Eligible to Attend	Number attended	Eligible to Attend	Number attended	Eligible to Attend	Number attended	Eligible to Attend	Number attended	Eligible to Attend	Number attended
Mr P Jooste	5	5	1	1	2	2	-	-	-	-
Mr D Patterson	5	4	-	-	-	-	-	-	-	-
Mr D Sims	5	5	-	-	-	-	-	-	-	-
Mr P Tiede	5	5	1	1	2	2	-	-	-	-
Mr D Whitelaw	5	4	-	-	-	-	-	-	-	-
Mr F O'Sullivan	2	2	1	1	-	-	-	-	-	-

CHANGES IN CONTROLLED ENTITIES

The subsidiaries of the Company as at the year ended 30 June 2008 are:

AUSTRALIA		% Owned	
Eastland Medical (Qld.) Pty Ltd	100%		Non operational
Eastland Medical (W.A.) Pty Ltd	100%		Operational as the holding Company of Westcoast Surgical & Medical Supplies, a Western Australian medical products distributor.
Eastland Medical Research Pty Ltd	100%		Conducts Research & Development functions of the Group. Non operational.
Medical Industries Australia Pty Ltd	100%		Operational, carries out the Group's distribution functions, both domestically and to international markets.
Portland Surgical Products Pty Ltd	100%		Operational, carries out the Group's manufacturing operations.
SOUTH AFRICA			
Eastland Medical Systems SA P/L	65%		Non operational.
BOTSWANA			
Star Medical Botswana Limited	87%		Operational, hold the exclusive rights to the Intellectual Property for ArTiMist™.

EASTLAND MEDICAL SYSTEMS LTD ABN 35 090 987 250 AND CONTROLLED ENTITIES

DIRECTORS REPORT

AFTER BALANCE DATE EVENTS

Since the end of the financial year, the following events have occurred:

- On 15th July 2008 Eastland® issued 500,000 fully paid ordinary shares at \$0.15 cents per share in terms of the ArTiMist™ contract & 5,372,207 fully paid ordinary shares at an issue price of \$0.30 cents per share in consideration for increased share holding in Star Medical Botswana.
- On 15th August 2008 the Company issued Unsecured Convertible Notes of \$1.00 to the value of \$218,540
- On 27th August 2008 the Company issued 4,662,603 ordinary shares at \$0.14 cents per share and 5,315,367 Options exercisable at \$0.20 cents expiring 31st May 2011 to raise \$676,077 before expenses.
- On 31st August, 2008 unlisted Options EMSAM 500,000 exercisable at \$0.15cents and EMSAO 339,500 exercisable at \$0.20cents expired.
- On 2nd September 2008 the Company issued Unsecured Convertible Notes of \$1.00 to the value of \$180,000

In the opinion of the directors, there are no other significant changes in the state of affairs of the economic entity that occurred during the period not otherwise disclosed in this report or consolidated financial statements.

CORPORATE GOVERNANCE STATEMENT

The Board is responsible for the corporate governance of the Company (Eastland® / Company). Systems of control and accountability form the basis for the administration of corporate governance.

Corporate Governance information is published on Eastland's® website at www.eastlandmedical.com.au. This information includes charters (for the board and its sub-committees), the Company's code of conduct and other policies and procedures relating to the Board and its responsibilities such as:

- a summary of the Policy for Trading in Company Securities;
- a summary of the Company's ASX continuous disclosure procedures;
- procedure for selection appointment and rotation of external auditor;
- shareholder communication strategy; and
- a summary of the risk management policy.

The Company has followed the ASX Corporate Governance Principles and Recommendations to the extent the Directors considered they genuinely improve the Company's internal processes and accountability to external stakeholders. The Board reviews its governance practices to ensure they remain appropriate to the needs of the Company. The following table sets out where Eastland® has followed the Recommendations or provided "if not, why not" reporting in connection with the 8 core Principles.

Summary Statement

	ASX P & R ¹	If not, why not ²
Recommendation 1.1	✓	
Recommendation 1.2	✓	
Recommendation 2.1		✓
Recommendation 2.2	✓	
Recommendation 2.3	✓	
Recommendation 2.4		✓
Recommendation 2.5	✓	
Recommendation 3.1	✓	
Recommendation 3.2	✓	
Recommendation 4.1	✓	
Recommendation 4.2		✓
Recommendation 4.3	✓	
Recommendation 5.1	✓	
Recommendation 6.1	✓	
Recommendation 7.1	✓	
Recommendation 7.2	✓	
Recommendation 7.3	✓	
Recommendation 8.1	✓	
Recommendation 8.2		✓

1. Indicates where the Company has followed the ASX Principles and Recommendations

2. Indicates where the Company has provided "if not, why not" disclosure.

**EASTLAND MEDICAL SYSTEMS LTD ABN 35 090 987 250
AND CONTROLLED ENTITIES**

DIRECTORS REPORT

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 (Establishing Roles and Responsibilities) The Board of 5 Directors tasks itself to provide strategic guidance for the Company and effective oversight for management. All matters of management are reserved to them, and delegations are express and specific as circumstances require. Four divisions have been established in Eastland® to provide the framework for development of business and to facilitate better oversight (pharmaceutical, safe medical devices, distribution and manufacturing).

Eastland® has a chief executive officer (Dermot Patterson) who is a member of the Board and is responsible for day to day operational management and implementation of strategy, risk management and control of systems.

One member of the Board (Doug Sims) is focused on developments within the pharmaceutical division particularly in respect of Eastland®'s relationship with the ArTimist project managers in the UK and the manufacturer in Berlin.

Another executive director (Peter Tiede) is chief financial officer, with responsibility for all financial reporting and compliance.

There are 2 independent non-executive directors (Peter Jooste QC (Chair) and David Whitelaw). The Chair ensures the Board operates efficiently, that systems and meetings are regular and timely, that appropriate focus is maintained on enhancing stakeholder value, and together with David Whitelaw has oversight of ensuring a balance of authority, that the skill sets of the Board are deployed to maximum advantage and proper governance generally.

The Board has tasked the Company Secretary (Trevor Strahan) to ensure legal compliance and proper continuous disclosure, and the Head Office manager (Jan Baker) to maintain and ensure the integrity of all intellectual property.

1.2 (Evaluating the Performance of Senior Executives) Formal written appointments govern the services of the Chief Executive Officer and Chief Financial Officer whose performances are regularly measured. A set of Key Performance Indicators applies to each of these officers, and performance evaluation against indicator attainment has been carried out by the Independent Directors in the reporting period.

2. STRUCTURE THE BOARD TO ADD VALUE

2.1 (A majority of the Board should be Independent Directors)

This recommendation was not met. *(Note- In determining the independence of directors the Board has regard to the independence criteria as set out in the ASX Principles and Recommendations. To the extent that it is necessary for the Board to consider issues of materiality, the Board refers to the thresholds for qualitative and quantitative materiality as adopted by the Board and contained in the Board Charter, which is disclosed in full on the Company's website. The Company assesses independence at the time of appointment of directors and monitors the independence of directors as and when appropriate).*

Applying the independence criteria, which include substantial shareholding and employment, the Board considers that only Messrs Peter Jooste QC and David Whitelaw are independent directors.

The Board considers that the costs associated with the appointment of 2 further independent directors to enable compliance with the recommendation would not be justified at this stage of Eastland®'s development.

2.2 & 2.3 (The Chair should be an Independent Director with a distinct and different role)

Peter Jooste QC is an Independent Director, and has a distinct and different role to the Chief Executive Officer.

2.4 (Nomination Committee)

The Board considers the Company too small at this stage to have a Nomination Committee. The Board has put in place regular agenda items to address the relevant Board issues of required competencies, performance evaluation and succession planning. The Company Secretary monitors Board policies and procedures and is accountable through the Chair.

2.5 (Board Performance)

The Independent Directors are responsible for a review of the balance of authorities in the Board and for ensuring the division of functions remains appropriate. In addition a set of Key Performance Indicators applies to each of the executive Directors, and performance evaluation against indicator attainment has been carried out by the Independent Directors in the reporting period. No adverse issue emerged.

The Chief Executive Officer must report to the Board in a timely manner and ensure the reporting gives a true and fair view of the financial condition of the Company and all operational results.

No new Directors were appointed during the latest reporting period. The skills, experience, relevant expertise and period of office of each Director is set out in the Directors Report in the Annual Report of the Company.

If any new director is appointed, such appointment will be at the invitation of the Chair after Board approval, and there is a Company induction program in place in that event.

**EASTLAND MEDICAL SYSTEMS LTD ABN 35 090 987 250
AND CONTROLLED ENTITIES**

DIRECTORS REPORT

Any Director, with the prior approval of the Chair, may take independent professional advice at the reasonable expense of the Company.

The Board held meetings as detailed in the Directors Report in the Annual Report. Senior managers are invited to attend meetings of the Board, and Non-executive Independent Directors may meet separately from the Executive Directors in the performance of their functions.

The Company's constitution requires one third of the Directors (other than any Managing Director and alternate directors) to retire from office at each Annual General Meeting. Directors appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of Directors to retire by rotation at the Annual General Meeting.

Directors cannot hold office for more than 3 years following their appointment without submitting themselves for re-election. Retiring directors are eligible for re-election by shareholders.

3. PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

3.1 (Code of Conduct)

The Company's Code of Conduct sets the ethical tone and expected standards of behaviour and practice for Directors, Senior Management and all Employees. The Code is set out on the Company's website.

The code sets out the standard which the Board, management and employees of the Company are encouraged to comply with when dealing with each other, shareholders and the broader community.

The Board, management and employees must not involve themselves in situations where there is a real or apparent conflict of interest between them as individuals and the interest of the Company. Where a real or apparent conflict of interest arises the matter should be brought to the attention of the Chairman in the case of a Director, or the Chief Executive Officer in the case of a member of management, or an employee, so that it may be considered and dealt with in an appropriate manner for all concerned.

The Board supports high standards of corporate governance, and requires its members and the staff to act with integrity and objectivity in relation to:

- Compliance with the law;
- Record keeping;
- Confidentiality; and
- Safe and equal opportunity employment.

The Board and management aim to fulfill their wider obligations to all the Company's stakeholders.

3.2 (Trading Policy in Company Securities)

The Company has established a Code of appropriate policies for trading in Company securities by Directors, Senior Executives and Employees. There are appropriate blackout periods, and short-term and speculative trading is prohibited. The Board endorses prompt and transparent reporting in compliance with the spirit and letter of the Law, and meticulous compliance with the prohibitions on "insider trading". The Code is set out on the Company's website. The Company Secretary monitors compliance.

4. SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 (Audit Committee)

The Board has established an Audit Committee comprising the 2 Independent Directors (Chair Peter Jooste QC and David Whitelaw) and the Chief Financial Officer (Peter Tiede), to focus on issues relevant to the integrity of the Company's financial reporting, and to undertake the necessary review and consideration of the financial statements, as well as appropriate steps to ensure the independence and competence of the Company's external auditor. The Chief Executive Officer and Chief Financial Officer each declare in writing to the Board that the financial records of the Company for the year have been properly maintained and present a true and fair view of the Company's financial condition and operation results, in accordance with the Corporations Act and the relevant accounting standards.

4.2 (Audit Committee Structure)

The Committee does not consist entirely of Non-executive Directors as recommended, although the majority of the Committees are Non-executive Independent Directors. David Whitelaw, a Non-executive Independent Director is the Chair. The Company is a comparatively small company and the Board does not consider the extra costs involved in appointing an additional Non-executive Independent Director would result in any greater benefits or efficiencies in the Audit Committee's work.

**EASTLAND MEDICAL SYSTEMS LTD ABN 35 090 987 250
AND CONTROLLED ENTITIES**

DIRECTORS REPORT

4.3 (Audit Committee Charter)

The Audit Committee has a formal Charter which is set out on the Company's website.

The main responsibilities of the Audit Committee are to:

- Review and report to the Board on the financial reports published by the Company or released to the market;
- Assist the Board in reviewing the effectiveness of internal controls of:
 - operations
 - financial reporting
 - legal compliance
 - risk management
- Recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, and the scope and quality of the audit.

The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party. The external auditors may communicate at any time with the Chairman of the Audit Committee and the Chairman of the Board.

The external auditor has not provided any non-audit services which might compromise the auditor's independence. The Committee has met twice and has reported to the Board on its assessments regarding the external audit, and its review of risk management and internal controls. There are no unresolved issues arising from the report.

5. MAKE TIMELY AND BALANCED DISCLOSURE

5.1 (Compliance with ASX Disclosure Requirements)

The Board is primarily responsible for compliance with ASX Listing Rule requirements for continuous disclosure, and have tasked the Company Secretary (Trevor Strahan) to manage that compliance in close collaboration with the Chief Executive Officer (Dermot Patterson).

The policy established by the Board is to ensure that all senior executives report material for immediate vetting by the Company Secretary and Chief Executive Officer in the first instance, and then final release approval by the Board.

The policy aim is to ensure all investors have equal and timely access to material information concerning the Company, particularly its financial position, performance, ownership and governance.

6. RESPECT THE RIGHTS OF SHAREHOLDERS

6.1 (Promoting Effective Communication & Participation)

The Company recognises the importance of its relationship with shareholders and understands the importance of communication with them in accordance with the requirements of the ASX. For this purpose the Company has two policies, one for keeping shareholders up to date with Company information and one to ensure it is compliant with the continuous disclosure obligations of the ASX.

Communication to shareholders is facilitated by the production of the Annual Report, public announcements and the posting of ASX releases on Eastland's website immediately after their disclosure to the ASX. The Board and senior management also respond to a range of shareholder enquiries through a variety of means, including telephone, email, facsimile and in writing.

The Board also arranges for the external auditor to attend all Annual General Meetings of the Company to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company maintains a website for effective communication with stakeholders:

www.eastlandmedical.com.au

Shareholders can access the following key information on the website:

- Latest ASX releases and notices of meetings
- Company presentations and updates by senior management,
- Financial reports and analysts reports

After release to ASX, all information provided to analysts and the media is posted to the website.

The Head Office Manager (Jan Baker) is tasked to assist effective communication with shareholders, investors and customers, under the supervision of the Chief Executive Officer. A shareholder database has been established and is maintained for this purpose.

The Company Secretary is accountable to the Board to ensure prompt and timely compliant Notices of General Meetings, and that shareholders are given every assistance and encouragement to attend or be represented at meetings.

**EASTLAND MEDICAL SYSTEMS LTD ABN 35 090 987 250
AND CONTROLLED ENTITIES**

DIRECTORS REPORT

7. RECOGNISE AND MANAGE RISK

7.1 (Oversight & Management of Material Business Risks)

The Board is responsible for implementation, review and monitoring of an effective risk management strategy and policies, internal compliance and internal control.

Day-to-day management of risk is the responsibility of the Chief Executive Officer, with the assistance of senior management. The Chief Executive Officer is responsible for reporting directly to the Board on all matters associated with risk management.

In fulfilling his duties, the Chief Executive Officer has unrestricted access to all employees, contractors and records and may, with the approval of the Board, obtain independent expert advice on any matter he believes appropriate.

7.2 (Risk Management & Internal Control Systems)

Specific business risks are managed through:

- the Audit Committee and Audit Committee Charter;
- Insurance programs;
- Regular budgeting and financial reporting;
- Limits and authorities for expenditure levels;
- Procedures/controls to manage environmental and occupational health and safety matters;
- Procedures for compliance with continuous disclosure obligations under the ASX listing rules; and
- Procedures to assist with administering corporate governance systems and disclosure requirements.

7.3 (CEO & CFO Assurances)

The Chief Executive Officer and Chief Financial Officer give the relevant declarations, statements and certifications to the Board in relation to the Company's Annual Report. This is monitored by the Audit Committee as set out in section 4.1.

8. REMUNERATE FAIRLY AND RESPONSIBLY

8.1 (Remuneration Committee)

Details of Board and executive remuneration, including the Company's policy on remuneration are contained in the "Remuneration Report" which forms part of the Directors' Report.

All compensation arrangements for Directors and key management personnel are determined at Board level, in consultation with the Remuneration Committee, after taking into account the current competitive rates prevailing in the market.

Remuneration levels of the Directors and key management personnel are set by reference to similar-sized companies with similar risk profiles and are set to attract and retain executives capable of managing the consolidated entity's operations in Australia and Africa. The Board undertakes an annual review of its performance against goals set at the start of the year. No bonuses are paid to non-executive Directors, nor are there any termination or other benefits paid on retirement.

Details of the nature and amount of remuneration paid to each Director of the Company and all key management personnel of the consolidated entity are provided in the 'Remuneration Report' contained within the Directors' Report.

8.2 (Distinct Structure for Non-executives)

Remuneration of non-executive Directors is determined by the Board within the maximum approved by the shareholders from time to time.

Because the Company has limited cash resources at this stage of its development, non-executive directors will be included in the Company's share option plan, with prior shareholder approval.

FUTURE DEVELOPMENTS

Likely developments in the operations of the consolidated group and the expected results of these operations have not been included in this report, as the directors believe, on reasonable grounds, that the inclusions of such information would be likely to result in unreasonable prejudice to the consolidated group.

**EASTLAND MEDICAL SYSTEMS LTD ABN 35 090 987 250
AND CONTROLLED ENTITIES**

DIRECTORS REPORT

ENVIRONMENTAL ISSUES

The consolidated group's operations are not subject to any significant environmental regulations under the laws of the Commonwealth and State.

INDEMNIFYING OFFICERS OR AUDITOR.

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure each of the following directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of directors of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was \$3,677 for each director.

Mr Dermot Patterson
Mr Peter Jooste

Mr Douglas Sims
Mr David Whitelaw

Mr Peter Tiede
Mr Francis O'Sullivan

DIRECTORS' REMUNERATION REPORT

This report details the nature and amount of remuneration for each key management person of the Company, and for the executives receiving the highest remuneration.

Remuneration Policy

The remuneration policy of Eastland Medical Systems Ltd has been designed to align key management personnel 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 consolidated group's financial results. The Board of Eastland Medical Systems Ltd believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the consolidated group is as follows:

- The remuneration policy, setting the terms and conditions for key management personnel, was developed by the remuneration committee and approved by the board after seeking professional advice from external consultants.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience) superannuation, fringe benefits and performance incentives.
- The remuneration committee reviews key management packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed biannually with each executive and is based predominantly on the forecast growth of the consolidated growth of the consolidated group's profits and shareholders value. All bonuses and incentives must be linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel are also entitled to participate in the employee share and option arrangements.

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the company and expensed. Shares given to key management personnel are valued at the difference between the market price of those shares and the amount paid by key management personnel. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for the time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by share holders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the consolidated group. However to align directors interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

**EASTLAND MEDICAL SYSTEMS LTD ABN 35 090 987 250
AND CONTROLLED ENTITIES**

DIRECTORS REPORT

Key Management Personnel Remuneration

2008 Key Management Person	Cash, Salary & Commissions \$	Short-term benefits			Post Employment
		Cash profit share \$	Non-Cash Benefits \$	Other \$	Superannuation \$
D P Patterson	175,000	-	14,609	-	15,750
D A Sims	121,000	-	3,897	-	10,890
P M Tiede	143,924	-	13,350	-	14,155
P I Jooste	25,000	-	-	30,000	-
D J Whitelaw	25,000	-	-	-	2,250
F D O'Sullivan	9,062	-	-	-	816
T P Strahan	114,500	-	-	-	7,206
A M Taylor	125,000	-	15,000	-	11,250
C R Inglis	117,500	-	-	-	10,575
Totals	855,986	-	46,856	30,000	72,892

2008 Key Management Person	Other long-term Share-based Payment benefits			Total	Performance Related
	Other \$	Equity \$	Options \$	\$	%
D P Patterson	-	-	-	205,359	0.00%
D A Sims	-	-	-	135,787	0.00%
P M Tiede	-	-	-	171,429	0.00%
P I Jooste	-	-	-	55,000	0.00%
D J Whitelaw	-	-	-	27,250	0.00%
F D O'Sullivan	-	-	-	9,878	0.00%
T P Strahan	-	-	41,667	163,373	0.00%
A M Taylor	-	-	-	151,250	0.00%
C R Inglis	-	-	-	128,075	0.00%
Totals	-	-	41,667	1,047,401	

2007 Key Management Person	Cash, Salary & Commissions \$	Short-term benefits			Post Employment
		Cash profit share \$	Non-Cash Benefits \$	Other \$	Superannuation \$
D P Patterson	151,757	-	18,608	-	12,562
D A Sims	121,000	-	-	-	10,890
P M Tiede	127,917	-	-	-	11,512
P I Jooste	25,000	-	-	30,000	-
D J Whitelaw	64,945	-	-	-	5,845
F D O'Sullivan	45,750	-	-	-	2,812
T P Strahan	102,240	-	-	-	6,058
A M Taylor	86,058	-	-	-	7,745
C R Inglis	113,500	-	-	-	10,215
Totals	838,167	-	18,608	30,000	67,639

2007 Key Management Person	Other long-term benefits	Share-based Payment		Total	Performance Related
	Other \$	Equity \$	Options \$	\$	%
D P Patterson	-	-	-	182,927	0.00%
D A Sims	-	-	-	131,890	0.00%
P M Tiede	-	-	-	139,429	0.00%
P I Jooste	-	-	-	55,000	0.00%
D J Whitelaw	-	-	-	70,790	0.00%
F D O'Sullivan	-	-	-	48,562	0.00%
T P Strahan	-	-	-	108,298	0.00%
A M Taylor	-	-	-	93,803	0.00%
C R Inglis	-	-	-	123,715	0.00%
Totals	-	-	-	954,414	

EASTLAND MEDICAL SYSTEMS LTD ABN 35 090 987 250 AND CONTROLLED ENTITIES

DIRECTORS REPORT

Options issued as part of remuneration for the year ended 30 June 2008.

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 and executives of Eastland Medical Systems Ltd and its subsidiaries to increase goal congruence between executives, directors and shareholders.

Options Granted as Remuneration

Key Personnel	Vested No	Granted No	Grant Date	Terms and Conditions for Each Grant			
				Value per Option at Grant Date \$	Exercise Price \$	First Exercise Date	Last Exercise Date
D P Patterson	-	-	-	0.00	0.00	-	-
D A Sims	-	-	-	0.00	0.00	-	-
P M Tiede	-	-	-	0.00	0.00	-	-
P I Jooste	-	-	-	0.00	0.00	-	-
D J Whitelaw	-	-	-	0.00	0.00	-	-
F D O'Sullivan	-	-	-	0.00	0.00	-	-
T P Strahan	1,000,000	3,000,000	12/2/2008	0.15	0.15	12/4/2009	12/4/2011
A M Taylor	-	-	-	0.00	0.00	-	-
C R Inglis	-	-	-	0.00	0.00	-	-
Totals	1,000,000	3,000,000	-	-	-	-	-

All options granted vest within one year of grant date and expire within one to two years of vesting. Options are granted to key management personnel with more than five years full-time service.

Exercise price equals the market price at date of the grant plus 10% of the ASX weighted average share price.

The service and performance criteria set to determine remuneration are included in this remuneration report.

All options were granted for nil consideration.

Shares issued on exercise of compensation options.

No Options exercised during the year that was granted as compensation in prior periods.

SHARE OPTIONS

Options that were granted over unissued shares during or since the financial year by the economic entity are as follows:

- 7 December 2007 15,300,000 unlisted options exercisable at \$0.20 cents expiring 31 May 2011 were issued.
- 23 January, 2008 4,062,500 listed options (EMSO) exercisable at \$0.20 cents expiring 31 May 2011 were issued.
- 24 April, 2008 10,983,504 listed options (EMSO) exercisable at \$0.20 cents expiring 31 May, 2011 were issued.
- 24 April, 2008 6,000,000 employee unlisted options (EMSAS) exercisable at \$0.15 cents expiring 18 April, 2012 were issued.
- 27 August 2008 5,315,367 listed options (EMSO) exercisable at \$0.20 cents expiring 31 May 2011 were issued.

The following options expired during the financial year:

- 31 August, 2008 500,000 unlisted options (EMSAM) with an exercise price of \$0.15 cents with an expiry date of 31 August, 2008 lapsed.
- 31 August, 2008 339,600 unlisted options (EMSAO) with an exercise price of \$0.20 cents with an expiry date of 31 August, 2008 lapsed

There are 51,661,371 unissued ordinary shares for which options are outstanding at the date of this report.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

The Company was not a party to any such proceedings during the year.

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 in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

**EASTLAND MEDICAL SYSTEMS LTD ABN 35 090 987 250
AND CONTROLLED ENTITIES**

DIRECTORS REPORT

The following fees for non-audit services were paid / payable to the external auditors during the year ended 30 June 2008.

	\$
Taxation services	24,150
Due diligence investigations	-
	<u>24,150</u>

AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2008 has been received, in accordance with s307C of the Corporations Act 2001, and can be found on page 20 of this report.

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

Dated: 30th September 2008. PERTH, Western Australia.



D.P. Patterson



P.M. Tiede

EASTLAND MEDICAL SYSTEMS LTD ABN 35 090 987 250 AND CONTROLLED ENTITIES

SHAREHOLDER INFORMATION

The issued capital of the Company as at 24 September 2008 is 197,152,971 (2006:171,185,529) ordinary shares.

In addition to this, there are also Options and Convertible Notes of \$1.00 per Note as listed below:

NUMBER OF OPTIONS	EXPIRY DATE	EXERCISE PRICE
45,661,371	31 May 2011	\$0.20 cents each
6,000,000	30 April 2012	\$0.15 cents each

During the year ended 30 June 2008, the following share options of Eastland Medical Systems Ltd were granted under the Employee Share Option Plan. No further employee options have been issued since that date.

Grant Date	Exercise Price	Number of Options issued
12/2/2008	\$0.15 cents	6,000,000

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

NUMBER OF NOTES	MATURITY DATE
218,540	15 August 2009
180,000	2 September 2009

Each Note has a face value of \$1.00 with a conversion right to eight (8) fully paid ordinary shares for each \$1.00 note, plus eight (8) free attaching options exercisable at \$0.20 cents each for each parcel of 2 Notes converted, at any time up to 15 August 2009 and 2 September 2009 respectively.

Distribution of shareholdings as at 24 September 2008:

SIZE OF HOLDING	SHAREHOLDERS	SHAREHOLDING	%
1-1,000	24	16,875	0.009
1,001-5,000	216	791,838	0.402
5,001-10,000	332	2,923,014	1.483
10,001-100,000	934	37,884,157	19.216
more than 100,001	243	155,537,087	78.892
	1,749	197,152,971	100.00

AUSTRALIAN SECURITIES EXCHANGE LISTING

The Company's shares and options are quoted on the Australian Securities Exchange Limited (ASX). All shares, at the date of this report, are of one class with equal voting rights and to full dividend. The stock code under which the shares and options trade are:

Ordinary shares: - **EMS** Ordinary options: - **EMSO**

SHAREHOLDER DISTRIBUTION

As at 25th September 2008, the twenty largest shareholders held shares, equating to 50.19% of the total issued capital. The holders of these shares are as follows:

Twenty Largest Shareholders	Number of Shares	Percentage
Fee-Zone Pty Ltd	19,843,841	10.07
RBC Dexia Investor Services Australia Nominees P/l	17,799,680	9.03
O'Sullivan Superannuation Fund	12,650,211	6.42
ANZ Nominees Limited	10,627,425	5.39
Eastland Technology Australia Ltd	7,647,000	3.88
National Nominees Limited	6,033,999	3.06
Onicas Investments Pty Ltd	3,600,000	1.83
R & R <u>Dougall</u> <Dougall Retirement Fund>	3,070,885	1.56
Palos Pty Ltd	3,000,000	1.52
Isaac Kwame <u>Amuah</u>	2,012,679	1.02
Granworld Pty Ltd <Super Fund>	1,802,467	0.91
First Manhattan Securities Pty Ltd	1,797,055	0.91
Botsis Holdings Pty Ltd	1,500,000	0.76
Calvin <u>Ross</u>	1,500,000	0.76
John <u>Firth</u>	1,485,000	0.75
Peter <u>Fiore</u>	1,000,000	0.51
Passio Pty Ltd	1,000,000	0.51
Highgrade Investments Pty Ltd	938,133	0.48
Kingsley Place	800,000	0.41
Ben <u>Fan</u>	800,000	0.41
Total	98,908,375	50.17

Surname underlined

The registers of securities of the Company are maintained at Advanced Share Registry Services, 150 Stirling Highway, Nedlands, Western Australia 6009. (Postal Address: PO Box 1156, Nedlands, WA, 6909)

**EASTLAND MEDICAL SYSTEMS LTD ABN 35 090 987 250
AND CONTROLLED ENTITIES**

VOTING RIGHTS

At meetings of shareholders (subject to the Constitution of Eastland Medical Systems Ltd):

- i. Each shareholder entitled to vote may vote in person, or by proxy, or by representative or attorney;
- ii. On a show of hands, each shareholder present in person, or by proxy, or by representative or attorney has one vote; and
- iii. On a poll, each shareholder present in person, or by proxy, or by representative or by attorney has one vote for every share held by that shareholder. In the case of joint holdings, only one joint holder may vote and, if joint holders attend the meeting, only the first named in the register of shareholders may vote.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held **at 2.30 pm (WST) on Wednesday 19th November 2008 at the Premises of the Celtic Club Inc, 48 Ord Street, West Perth.** Western Australia 6005.

Grant Thornton (WA) Partnership

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**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF EASTLAND MEDICAL SYSTEMS LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Eastland Medical Systems Limited for the year ended 30 June 2008, 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.

Grant Thornton (WA) Partnership

GRANT THORNTON (WA) PARTNERSHIP
Chartered Accountants

P. Warr

P.W.WARR

Partner

Perth, WA,

Dated 30 September 2008

Liability limited by a scheme approved under Professional Standards Legislation.

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INDEPENDENT AUDITOR'S REPORT

To the members of Eastland Medical Systems Limited

Report on the Financial Report

We have audited the accompanying financial report of Eastland Medical Systems Limited, (the company) which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Electronic Presentation of Audited Financial Report

This auditor's report relates to the financial report of Eastland Medical Systems Limited for the year ended 30 June 2008 included on the company's web site. The company's directors are responsible for the integrity of the company's web site. We have not been engaged to report on the integrity of the company's web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Independence

In conducting our audit, we complied with applicable independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- (a) the financial report of Eastland Medical Systems Limited is in accordance with 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 2008 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Significant Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1(q) in the financial report which reports that the consolidated entity incurred a loss of \$9.633 million for the year ended 30 June 2008, and a net operating cash outflow of \$2.70 million. The consolidated entity's cash flow forecast for the next twelve months is dependent on various initiatives being supported, the sale of its financial assets to enable the ongoing development of its pharmaceutical products to commercialisation and to provide working capital, and future capital raisings, if required.

These factors as set forth in Note 1(q) to the financial report indicate the existence of significant uncertainty which may cast significant doubt concerning the company's and consolidated entity's ability to continue as a going concern. Should the company and consolidated entity be unable to continue as a going concern they may be required to realise assets and extinguish liabilities other than in the normal course of business and at the amounts other than as stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 9 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Eastland Medical Systems Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

Grant Thornton (WA) Partnership

GRANT THORNTON (WA) PARTNERSHIP Chartered Accountants

P. Warr.

P W WARR
Partner

Perth, WA

Dated 30th September 2008

**EASTLAND MEDICAL SYSTEMS LTD ABN 35 090 987 250
AND CONTROLLED ENTITIES**

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes as set out on pages 25 to 55 are in accordance with the Corporations Act 2001, and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the company and consolidated group;
2. The Chief Executive Officer and Chief Finance Officer 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.
4. The Company and the wholly-owned subsidiaries, Medical Industries Australia Pty Ltd, Eastland Medical (WA) Pty Ltd Trading as Westcoast Surgical & Medical Supplies and Portland Surgical Products Pty Ltd, have entered into a deed of cross guarantee under which the Company and its subsidiaries guarantee the debts of each other.

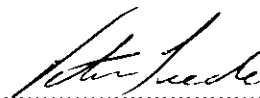
At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

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

Dated at Perth, 30th September 2008



D.P. Patterson



P.M. Tiede

EASTLAND MEDICAL SYSTEMS LTD ABN: 35 090 987 250 AND CONTROLLED ENTITIES
INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

		Consolidated Group		Parent Entity	
	Note	2008	2007	2008	2007
		\$	\$	\$	\$
Revenue	2	11,797,092	9,579,077	36,168	54,623
Other income	2	116,482	972,848	-	931,952
Raw materials and consumables used	3a	(8,047,014)	(6,443,442)	-	-
Employee benefits expense		(3,359,241)	(2,837,861)	(928,699)	(829,336)
Depreciation and amortisation expense	3b	(687,756)	(371,527)	(77,867)	(41,246)
Impairment loss - Goodwill	3a	(4,575,828)	-	-	-
Impairment loss - Investment	3a	(400,000)	-	(1,356,409)	-
Impairment loss - Receivables	3a	(1,211,841)	(233,143)	(6,979,885)	(1,265,463)
Other expenses		(1,011,516)	(731,701)	(324,826)	(272,733)
Finance costs	3a	(383,683)	(349,998)	(53,151)	(70,018)
Communication Expense	3b	(133,645)	(160,429)	(31,259)	(18,157)
Travelling Expense	3b	(230,721)	(182,574)	(91,535)	(70,977)
Insurance	3b	(148,878)	(159,303)	(77,308)	(106,764)
Advertising & Public Relations	3b	(228,457)	(79,734)	(124,907)	(36,906)
Distribution Expenses	3b	(133,960)	(111,396)	-	-
Audit & Taxation Fees	3b	(150,271)	(121,678)	(139,910)	(85,650)
Professional Fees	3b	(73,825)	(76,352)	(11,739)	(42,435)
Occupancy Expense	3b	(483,104)	(497,718)	(50,884)	(79,984)
Patent Costs	3b	(301,388)	(247,006)	(253,317)	(247,006)
Share of net profits of associates		-	44,574	-	-
Loss before income tax		(9,647,554)	(2,007,363)	(10,465,528)	(2,180,100)
Income tax expense	4	-	-	-	-
Loss for the year		(9,647,554)	(2,007,363)	(10,465,528)	(2,180,100)
Loss attributable to minority equity interest		(14,029)	-	-	-
Loss attributable to members of the parent entity		(9,633,525)	(2,007,363)	(10,465,528)	(2,180,100)
Overall Operations					
Basic loss per share (cents per share)	7	(0.05)	(0.01)		
Diluted loss per share (cents per share)	7	(0.05)	(0.01)		

The accompanying notes form part of these financial statements.

EASTLAND MEDICAL SYSTEMS LTD ABN: 35 090 987 250 AND CONTROLLED ENTITIES
BALANCE SHEETS AS AT 30 JUNE 2008

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	8	486,267	834,874	142,649	385,696
Trade and other receivables	9	2,284,888	1,574,260	30,000	30,000
Inventories	10	2,934,601	3,574,390	-	-
Financial assets	14	116,621	1,885,074	920,449	1,885,074
Other current assets	18	12,072	-	-	-
Non current asset classified as held for sale	11	400,000	-	-	-
TOTAL CURRENT ASSETS		6,234,449	7,868,598	1,093,098	2,300,770
NON-CURRENT ASSETS					
Trade and other receivables	9	9,265	374,617	2,435,956	7,539,563
Investments accounted for using the equity method	12	-	444,574	-	852,506
Financial assets	14	1,112,566	807,889	2,415,193	1,545,602
Property, plant and equipment	16	710,422	1,430,128	258,197	266,343
Intangible assets	17	7,997,250	10,072,447	4,052,249	3,578,507
TOTAL NON-CURRENT ASSETS		9,829,503	13,129,655	9,161,595	13,782,521
TOTAL ASSETS		16,063,952	20,998,253	10,254,693	16,083,291
CURRENT LIABILITIES					
Trade and other payables	19	1,642,319	2,317,886	294,458	1,378,969
Financial liabilities	20	3,233,384	2,548,665	433,101	360,720
Short-term provisions	21	208,511	236,139	98,655	96,430
Liabilities associated with non current asstes classified as held for sale	11	250,000	-	-	-
TOTAL CURRENT LIABILITIES		5,334,214	5,102,690	826,214	1,836,119
NON-CURRENT LIABILITIES					
Financial liabilities	20	220,051	1,568,392	-	-
TOTAL NON-CURRENT LIABILITIES		220,051	1,568,392	-	-
TOTAL LIABILITIES		5,554,265	6,671,082	826,214	1,836,119
NET ASSETS		10,509,687	14,327,171	9,428,479	14,247,172
EQUITY					
Issued capital	22	26,376,681	20,818,490	26,376,681	20,818,490
Reserves		143,320	100,000	188,644	100,000
Retained earnings		(16,224,844)	(6,591,319)	(17,136,845)	(6,671,318)
Parent interest		10,295,157	14,327,171	9,428,479	14,247,172
Minority equity interest		214,530	-	-	-
TOTAL EQUITY		10,509,687	14,327,171	9,428,479	14,247,172

The accompanying notes form part of these financial statements.

EASTLAND MEDICAL SYSTEMS LTD ABN: 35 090 987 250 AND CONTROLLED ENTITIES
STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008

Note	Share Capital							Total
	Ordinary	Retained Earnings	Asset Revaluation Reserve	Share Redemption Reserve	Foreign Currency Translation Reserve	Option Reserve	Minority Equity Interests	
	\$	\$	\$	\$	\$	\$	\$	\$
Consolidated Group								
Balance at 1 July 2006	17,704,365	(4,583,956)	230,995	-	-	-	-	13,351,404
Loss attributable to members of parent entity	-	(2,007,363)	-	-	-	-	-	(2,007,363)
Transfers to and from reserve								
— Options Reserve	-	-	-	-	-	100,000	-	100,000
— asset revaluation	-	-	(230,995)	-	-	-	-	(230,995)
Shares issued during the year	3,214,125	-	-	-	-	-	-	3,214,125
Capital raising costs	(100,000)	-	-	-	-	-	-	(100,000)
Balance at 30 June 2007	20,818,490	(6,591,319)	-	-	-	100,000	-	14,327,171
Issue of shares	5,786,450	-	-	-	-	-	-	5,786,450
Capital raising costs	(228,259)	-	-	-	-	-	-	(228,259)
Minority shareholder Issue of shares	-	-	-	-	-	-	228,559	228,559
Loss attributable to members of parent entity	-	(9,633,525)	-	-	-	-	-	(9,633,525)
Loss attributable to minority shareholders	-	-	-	-	-	-	(14,029)	(14,029)
Transfers to and from reserve								
— foreign currency reserve	-	-	-	-	(45,324)	-	-	(45,324)
— share redemption reserve	-	-	-	5,310	-	-	-	5,310
— options reserve	-	-	-	-	-	83,334	-	83,334
Balance at 30 June 2008	26,376,681	(16,224,844)	-	5,310	(45,324)	183,334	214,530	10,509,687

Note	Share Capital							Total
	Ordinary	Retained Earnings	Asset Revaluation	Share Redemption Reserve	Foreign Currency Translation	Option Reserve		
	\$	\$	\$	\$	\$	\$	\$	\$
Parent Entity								
Balance at 1 July 2006	17,704,365	(4,491,218)	230,995	-	-	-	-	13,444,142
Losses attributable to members of parent entity	-	(2,180,100)	-	-	-	-	-	(2,180,100)
Shares issued during the year	3,214,125	-	-	-	-	-	-	3,214,125
Capital raising costs	(100,000)	-	-	-	-	-	-	(100,000)
Transfers to and from reserve								
— Options Reserve	-	-	-	-	-	100,000	-	100,000
— asset revaluation	-	-	(230,995)	-	-	-	-	(230,995)
Balance at 30 June 2007	20,818,490	(6,671,318)	-	-	-	100,000	-	14,247,172
Issue of shares	5,786,450	-	-	-	-	-	-	5,786,450
Capital raising costs	(228,259)	-	-	-	-	-	-	(228,259)
Loss attributable to members of parent entity	-	(10,465,528)	-	-	-	-	-	(10,465,528)
Transfers to and from reserves								
— options reserve	-	-	-	-	-	83,334	-	83,334
— share redemption reserve	-	-	-	5,310	-	-	-	5,310
Balance at 30 June 2008	26,376,681	(17,136,846)	-	5,310	-	183,334	-	9,428,479

The accompanying notes form part of these financial statements.

EASTLAND MEDICAL SYSTEMS LTD ABN: 35 090 987 250 AND CONTROLLED ENTITIES
CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Note	Consolidated Group 2008 \$	2007 \$	Parent Entity 2008 \$	2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		11,072,951	9,888,614	-	-
Interest received		146,053	70,843	36,183	54,624
Payments to suppliers and employees		(13,543,941)	(11,884,815)	(1,722,836)	(1,826,225)
Finance costs		(376,646)	(275,283)	(53,151)	(35,783)
Net cash used in operating activities	27a	<u>(2,701,583)</u>	<u>(2,200,641)</u>	<u>(1,739,804)</u>	<u>(1,807,384)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments		-	2,465,219	-	2,465,219
Purchase of property, plant and equipment		(199,596)	(146,461)	(69,721)	(73,167)
Purchase of investments		(10,568)	(1,568,152)	-	(1,568,152)
Purchase of other non-current assets		(2,647,358)	-	(1,048,318)	-
Payment for subsidiary, net of cash acquired	27b	(55,000)	(1,428,224)	-	-
Net cash used in investing activities		<u>(2,912,522)</u>	<u>(677,618)</u>	<u>(1,118,039)</u>	<u>823,900</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		5,783,885	2,099,604	4,744,978	2,099,604
Proceeds from borrowings		126,752	1,505,466	80,000	178,000
Repayment of borrowings		(177,864)	(376,666)	(7,620)	(75,452)
Advances to Associates		(243,186)	(385,250)	(243,183)	(385,250)
Advances to Subsidiaries		-	-	(1,731,120)	(588,193)
Payments for Capital Raising Costs		(228,259)	(100,000)	(228,259)	(100,000)
Net cash provided by financing activities		<u>5,261,328</u>	<u>2,743,154</u>	<u>2,614,796</u>	<u>1,128,709</u>
Net decrease in cash and cash equivalents held		<u>(352,777)</u>	<u>(135,105)</u>	<u>(243,047)</u>	<u>145,225</u>
Cash and cash equivalents at beginning of financial year		769,865	904,970	385,696	240,471
Cash and cash equivalents at end of financial year	8	<u><u>417,088</u></u>	<u><u>769,865</u></u>	<u><u>142,649</u></u>	<u><u>385,696</u></u>

The accompanying notes form part of these financial statements.

EASTLAND MEDICAL SYSTEMS LTD ABN: 35 090 987 250 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Note 1 Statement of Significant Accounting Policies

This financial report includes the consolidated financial statements and notes of Eastland Medical Systems Ltd and controlled entities ('Consolidated Group' or 'Group'), and the separate financial statements and notes of Eastland Medical Systems Ltd as an individual parent entity ('Parent Entity').

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

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

(a) Principles of Consolidation

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

A list of controlled entities is contained in Note 15 to the financial statements.

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

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

Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

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

(b) Income Tax

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

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

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

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

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Tax Consolidation

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

The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2007. The tax consolidated group has entered a tax funding arrangement whereby each company in the group contributes to the income tax payable by the group in proportion to their contribution to the group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

(c) Inventories

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

(d) Property, Plant and Equipment

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

Property

Freehold land and buildings are measured on the cost basis. The carrying amount of Freehold land and buildings 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 that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the assets original cost is transferred from the revaluation reserve to retained earnings.

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

Plant and equipment

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

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

Depreciation

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

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

Class of Fixed Asset	Depreciation Rate
Buildings	3%
Leasehold improvements	10%
Plant and equipment	20%
Plant and equipment leased to external parties	20%
Leased plant and equipment	20%

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

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

(e) Leases

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

(f) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

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

Classification and Subsequent Measurement

(i) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. They are measured at fair value with changes in fair value taken directly to equity.

(v) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Financial Guarantees

Where material, financial guarantees issued, which requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

(g) Impairment of Non Financial Assets

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

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

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

(h) Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised the group's share of post acquisition reserves of its associates.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

(i) Intangibles

Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Trademarks and licences

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised on a systematic basis matched to the future economic benefits over their useful life, when available for use.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(j) Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transaction and balances

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

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

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

Group companies

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

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

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

(k) Employee Benefits

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

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

Equity-settled compensation

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

(l) Provisions

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

(m) Cash and Cash Equivalents

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

(n) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

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Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Dividend received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

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

(o) Borrowing Costs

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

All other borrowing costs are recognised in income in the period in which they are incurred.

(p) Goods and Services Tax (GST)

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

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

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

(q) Going Concern

The company has recorded a loss of \$9,633,525 and a cash outflow from operations of \$2,701,583 for the financial year ended 30 June 2008. To ensure the company can continue to pursue its strategies the company needs to be supported by initiatives (i.e. other funding arrangements being considered) and the sale of its investments to enable the ongoing development of its pharmaceutical products to commercialisation. During September 2008, the company contracted for the sale to 500,000 HC Berlin Pharma AG shares (offmarket) for \$1.7 million and has been advised that HC Berlin Pharma AG will be listed on the Frankfurt Stock Exchange in October 2008. The company may also consider capital raisings, if required. As such, on this basis the directors believe the financial statements can be prepared on the going concern assumption.

(r) Comparative Figures

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

(s) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Impairment of \$4,575,828 has been recognised in respect of goodwill for the year ended 30 June 2008. Should the projected turnover figures be outside 30% of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of goodwill at 30 June 2008 amounting to \$2,421,293. No impairment has been recognised in respect of development costs and trademarks and licences for the year ended 30 June 2008. (Refer Note 17)

Key Judgments — Provision for Impairment of Receivables

Impairment of \$938,020 has been recognised in respect of loans made to associate companies and \$7,307,328 in respect of loans made to wholly owned subsidiaries (Refer Note 9). The directors believe that the remaining amount of the carrying debt is recoverable.

The financial report was authorised for issue on 30th September 2008 by the board of directors.

Note 2 Revenue

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Sales Revenue					
— sale of goods		11,740,233	9,508,161	-	-
Total Sales Revenue		11,740,233	9,508,161	-	-
Other Revenue					
— interest received	2(a)	56,859	70,916	36,168	54,623
Total Other Revenue		56,859	70,916	36,168	54,623
Total Sales Revenue and Other Revenue		11,797,092	9,579,077	36,168	54,623
Other Income					
— gain on disposal of property, plant and equipment		455	3,701	-	-
— fair value gains on financial assets		-	969,147	-	931,952
— other income		116,027	-	-	-
Total Other Income		116,482	972,848	-	931,952
(a) Interest revenue from:					
— other persons		56,859	70,916	36,168	54,623
Total interest revenue		56,859	70,916	36,168	54,623

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Note 3 Loss for the Year

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
(a) Expenses				
Cost of sales	8,047,014	6,443,442	-	-
Finance costs:				
— Other persons	383,683	349,998	53,151	70,018
Total finance costs	383,683	349,998	53,151	70,018
Impairment loss - Goodwill	4,575,828	-	-	-
Impairment loss - Investment	400,000	-	1,356,409	-
Impairment loss - Receivables	1,211,841	233,143	6,979,885	1,265,463
Foreign currency translation losses	-	18,077	-	-
Rental expense on operating leases				
— minimum lease payments	474,904	474,792	50,884	79,984
(b) Significant Revenue and Expenses				
The following significant revenue and expense items are relevant in explaining the financial performance:				
Fair value gains on financial assets	-	(952,672)	-	(952,672)
Depreciation & Amortisation	687,756	371,527	77,867	41,246
Communications Expense	133,645	160,429	31,259	18,157
Travelling Expense	230,721	182,574	91,535	70,977
Insurance	148,878	159,303	77,308	106,764
Advertising & Public Relations	228,457	79,734	124,907	36,906
Distribution Expense	133,960	111,396	-	-
Audit & Taxation fees	150,271	121,678	139,910	85,650
Professional fees	73,825	76,352	11,739	42,435
Occupancy expense	483,104	497,718	50,884	79,984
Patent costs	301,388	247,006	253,317	247,006
	2,572,005	1,055,045	858,726	(223,547)

Note 4 Income Tax Expense

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
(a) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:				
Net loss for the period	(9,633,525)	(2,007,363)	(10,465,528)	(2,180,100)
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2007: 30%)	(2,890,058)	(602,209)	(3,139,658)	(654,030)
Less:				
Tax effect of:				
temporary differences, AIFRS and tax losses not brought to account	2,890,058	602,209	3,139,658	654,030
Income tax attributable to entity	-	-	-	-
Unrecognised deferred tax balances of Australian income tax Consolidated group				
— unrecognised deferred tax asset losses	3,727,138	2,421,502	3,727,138	2,421,502
— unrecognised deferred tax asset other	2,146,171	308,942	2,454,969	35,898
— unrecognised deferred tax equity	18,890	(6,000)	18,890	(6,000)
— unrecognised deferred tax liabilities	(369,426)	(381,575)	(275,961)	(270,651)
Net unrecognised deferred tax asset	5,522,773	2,342,869	5,925,036	2,180,749

Deferred tax asset not brought into account the benefits of which will only be realised if the conditions of deductibility set out in Note 1 occur.

Note 5 Key Management Personnel Compensation

(a) Names and positions held of consolidated and parent entity key management personnel in office at any time during the financial year are:

Key Management Person	Position
Mr Dermot Patterson	Chief Executive Officer
Mr Douglas Sims	International Business Director
Mr Peter Tiede	Chief Financial Officer
Mr Peter Jooste	Non-Executive Director
Mr David Whitelaw	Non-Executive Director
Mr Francis O'Sullivan	Non-Executive Director ,Resigned November 2007
Mr Trevor Strahan	Company Secretary
Mr Angus Taylor	C.E.O. - Medical Industries Australia Pty Ltd
Mr Craig Inglis	Director - Eastland Medical (WA) Pty Ltd t/as West Coast Surgical and Medical Supplies

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Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

(b) Options and Rights Holdings

Number of Options Held by Key Management Personnel

	Balance 1/07/2006	Granted as Compensation	Options Exercised*	Net Change Other*	Balance 30/06/2007	Total Vested 30/06/2007	Total Exercisable 30/06/2007	Total Unexercisable 30/06/2007
Mr Dermot Patterson	-	-	-	-	-	-	-	-
Mr Douglas Sims	14,063	-	-	(14,063)	-	-	-	-
Mr Peter Tiede	4,688	-	-	(4,688)	-	-	-	-
Mr Peter Jooste	-	-	-	-	-	-	-	-
Mr David Whitelaw	15,625	-	-	(15,625)	-	-	-	-
Mr Francis O'Sullivan	15,625	-	-	(15,625)	-	-	-	-
Mr Trevor Strahan	34,375	-	-	(34,375)	-	-	-	-
Mr Angus Taylor	-	-	-	-	-	-	-	-
Mr Craig Inglis	-	-	-	500,000	500,000	-	-	-
Total	84,376	-	-	415,624	500,000	-	-	-

	Balance 1/07/2007	Granted as Compensation	Options Exercised*	Net Change Other*	Balance 30/06/2008	Total Vested 30/06/2008	Total Exercisable 30/06/2008	Total Unexercisable 30/06/2008
Mr Dermot Patterson	-	-	-	-	-	-	-	-
Mr Douglas Sims	-	-	-	-	-	-	-	-
Mr Peter Tiede	-	-	-	-	-	-	-	-
Mr Peter Jooste	-	-	-	-	-	-	-	-
Mr David Whitelaw	-	-	-	-	-	-	-	-
Mr Francis O'Sullivan	-	-	-	-	-	-	-	-
Mr Trevor Strahan	-	3,000,000	-	-	3,000,000	1,000,000	-	1,000,000
Mr Angus Taylor	-	-	-	-	-	-	-	-
Mr Craig Inglis	500,000	-	-	-	500,000	-	500,000	-
Total	500,000	3,000,000	-	-	3,500,000	1,000,000	500,000	1,000,000

The Net Change Other column above includes those options that have been forfeited by holders as well as options issued and lapsed during the year under review.

(c) Shareholdings

Number of Shares held by Key Management Personnel

	Balance 1/07/2006	Received as Compensation	Options Exercised	Net Change Other*	Balance 30/06/2007
Key Management Personnel					
Mr Dermot Patterson	-	-	-	220,000	220,000
Mr Douglas Sims	28,793,127	-	-	(2,060,000)	26,733,127
Mr Peter Tiede	53,575	-	-	-	53,575
Mr Peter Jooste	-	-	-	-	-
Mr David Whitelaw	131,250	-	-	-	131,250
Mr Francis O'Sullivan	16,636,251	-	-	(1,000,000)	15,636,251
Mr Trevor Strahan	835,550	-	-	(160,645)	674,905
Mr Angus Taylor	-	-	-	-	-
Mr Craig Inglis	-	-	-	4,152,780	4,152,780
Total	46,449,753	-	-	1,152,135	47,601,888

	Balance 1/07/2007	Received as Compensation	Options Exercised	Net Change Other*	Balance 30/06/2008
Key Management Personnel					
Mr Dermot Patterson	220,000	-	-	-	220,000
Mr Douglas Sims	26,733,127	-	-	-	26,733,127
Mr Peter Tiede	53,575	-	-	-	53,575
Mr Peter Jooste	-	-	-	-	-
Mr David Whitelaw	131,250	-	-	-	131,250
Mr Francis O'Sullivan (Resigned 12/11/2007)	15,636,251	-	-	-	15,636,251
Mr Trevor Strahan	674,905	-	-	(19,595)	655,310
Mr Angus Taylor	-	-	-	-	-
Mr Craig Inglis	4,152,780	-	-	(2,400,313)	1,752,467
Total	47,601,888	-	-	(2,419,908)	45,181,980

* Net Change Other refers to shares purchased or sold during the financial year.

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Note 6 Auditors' Remuneration

	Consolidated Group 2008 \$	2007 \$	Parent Entity 2008 \$	2007 \$
Remuneration of the auditor of the parent entity for:				
— auditing or reviewing the financial report	28,940	64,150	28,940	64,150
— taxation services	24,150	-	24,150	21,500
	<u>53,090</u>	<u>64,150</u>	<u>53,090</u>	<u>85,650</u>
Remuneration of other auditors of subsidiaries for:				
— auditing or reviewing the financial report of subsidiaries	86,820	57,528	-	-
	<u>86,820</u>	<u>57,528</u>	<u>-</u>	<u>-</u>

Note 7 Earnings per Share

	Consolidated Group 2008 \$	2007 \$
(a) Reconciliation of earnings to profit or loss		
Profit / (Loss)	(9,633,525)	(2,007,363)
Earnings used to calculate basic EPS	(9,633,525)	(2,007,363)
Earnings used in the calculation of dilutive EPS	<u>(9,633,525)</u>	<u>(2,007,363)</u>
	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	<u>173,196,386</u>	<u>147,000,299</u>
Options convertible to ordinary shares are not considered to be dilutive as their exercise will not result in diluted earnings per share.		

Note 8 Cash and Cash Equivalents

	Note	Consolidated Group 2008 \$	2007 \$	Parent Entity 2008 \$	2007 \$
Cash at bank and in hand		388,672	729,697	142,649	366,051
Short-term bank deposits		97,595	105,177	-	19,645
		<u>486,267</u>	<u>834,874</u>	<u>142,649</u>	<u>385,696</u>
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:					
Cash and cash equivalents		486,267	834,874	142,649	385,696
Bank overdrafts	20	(69,179)	(65,009)	-	-
		<u>417,088</u>	<u>769,865</u>	<u>142,649</u>	<u>385,696</u>

Note 9 Trade and Other Receivables

	Note	Consolidated Group 2008 \$	2007 \$	Parent Entity 2008 \$	2007 \$
CURRENT					
Trade receivables		2,534,423	1,593,358	-	-
Provision for impairment of receivables	9b(i)	(279,535)	(49,098)	-	-
		<u>2,254,888</u>	<u>1,544,260</u>	<u>-</u>	<u>-</u>
Amounts receivable from:					
— key management personnel	9a	30,000	30,000	30,000	30,000
		<u>2,284,888</u>	<u>1,574,260</u>	<u>30,000</u>	<u>30,000</u>
NON-CURRENT					
Amounts receivable from:					
— wholly-owned entities		-	-	9,734,019	8,247,441
— provision for impairment of receivables wholly-owned subsidiaries	9b(vi)	-	-	(7,307,328)	(1,082,495)
— associated companies		947,285	557,585	947,285	557,585
— provision for impairment of receivables associated companies	9b(vii)	(938,020)	(182,968)	(938,020)	(182,968)
		<u>9,265</u>	<u>374,617</u>	<u>2,435,956</u>	<u>7,539,563</u>

EASTLAND MEDICAL SYSTEMS LTD ABN: 35 090 987 250 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

(a) Key Management Personnel Loans

	Balance at Beginning of Year \$	Balance at End of Year \$	Interest Charged \$	Interest Not Charged \$	Provision for Impairment \$	Number of Individuals
Key Management Personnel						
2008	30,000	30,000	-	-	-	1
2007	-	30,000	-	-	-	1
	Balance 01/07/2007 \$	Interest Charged \$	Interest Not Charged \$	Provision for Impairment \$	Balance 30/06/2008 \$	Highest Balance During Period \$
Individuals with loans above \$25,000 in reporting period						
Douglas A Sims	30,000	-	-	-	30,000	30,000

The above loan to Douglas Sims represents an unsecured loan. The loan is repayable on 31st October 2008 and bears no interest per annum.

(b) Provision For Impairment of Receivables

Current trade and term receivables are non-interest bearing loans and generally on 30 day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is an objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the Impairment losses item.

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

	Opening Balance 1 July 2006 \$	Charge for the Year \$	Amounts Written Off \$	Closing Balance 30 June 2007 \$
Consolidated Group				
(i) Current trade receivables	1,000	50,175	(2,077)	49,098
(iii) Current associated companies	-	-	-	-
(iv) Current other related parties	-	-	-	-
(v) Non-current term receivables	-	-	-	-
(vii) Non-current associated companies	-	182,968	-	182,968
	<u>1,000</u>	<u>233,143</u>	<u>(2,077)</u>	<u>232,066</u>
Parent Entity				
(i) Current trade receivables	-	-	-	-
(vi) Non-current wholly owned subsidiaries	-	1,082,495	-	1,082,495
(vii) Non-current associated companies	-	182,968	-	182,968
	<u>-</u>	<u>1,265,463</u>	<u>-</u>	<u>1,265,463</u>
	Opening Balance 1 July 2007 \$	Charge for the Year \$	Amounts Written Off \$	Closing Balance 30 June 2008 \$
Consolidated Group				
(i) Current trade receivables	49,098	273,821	(43,384)	279,535
(ii) Current term receivables	-	-	-	-
(iii) Current associated companies	-	-	-	-
(iv) Current other related parties	-	-	-	-
(v) Non-current term receivables	-	-	-	-
(vii) Non-current associated companies	182,968	938,020	(182,968)	938,020
	<u>232,066</u>	<u>1,211,841</u>	<u>(226,352)</u>	<u>1,217,555</u>
Parent Entity				
(i) Current trade receivables	-	-	-	-
(vi) Non-current wholly owned subsidiaries	1,082,495	6,041,865	182,968	7,307,328
(vii) Non-current associated companies	182,968	938,020	(182,968)	938,020
	<u>1,265,463</u>	<u>6,979,885</u>	<u>-</u>	<u>8,245,348</u>

There are no balances within trade and other receivables that contain assets that are not impaired and are past due. It is expected these balances will be received when due. Impaired assets are provided for in full.

(c) Ageing Analysis of Trade Receivables

The ageing of receivables at reporting date was as follows:

	Total \$	Current 30 days \$	Past due not impaired 30-90 days \$	Considered impaired >90 days \$
2008				
Consolidated Group				
Trade receivables	2,534,423	1,374,276	806,123	279,535
Parent Entity				
Trade receivables	-	-	-	-

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2007					
	Total	Current	Past due not impaired		Considered
	\$	30 days	30-60 days	60-90 days	impaired
		\$	\$	\$	>90 days
					\$
Consolidated Group					
Trade receivables	1,593,358	914,027	528,201	102,032	49,098
Parent Entity					
Trade receivables	-	-	-	-	-

Note 10 Inventories

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
CURRENT					
At cost					
Raw materials and stores		139,831	286,544	-	-
Finished goods		2,794,770	3,287,846	-	-
		2,934,601	3,574,390	-	-

Note 11 Assets and Liabilities held for sale

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
CURRENT ASSETS					
Non current assets classified as held for sale		641,856	-	-	-
less Accumulated depreciation		(241,856)	-	-	-
		400,000	-	-	-
CURRENT LIABILITIES					
Liabilities of disposal group classified as held for sale		250,000	-	-	-
		250,000	-	-	-

During the period management decided to relocate Portland Surgical Products Pty Ltd to New South Wales. As a result of the relocation, the property at which Portland Surgical Products Pty Ltd operations reside in Portland Victoria is to be sold and the mortgage on the property settled.

Note 12 Investments Accounted for Using the Equity Method

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Associated companies	13a	-	444,574	-	852,506
		-	444,574	-	852,506

Note 13 Associated Companies

Interests are held in the following associated companies

Name	Principal Activities	Country of Incorporation	Shares	Ownership Interest		Carrying Amount of Investment	
				2008	2007	2008	2007
				%	%	\$	\$
Unlisted:							
Ampack Medical Pty Ltd	Sterlie Wrap manufacture	Australia	Ordinary	50.00%	50.00%	-	400,000
Health In Form	Medcial consumbales	South Africa	Ordinary	45.00%	45.00%	-	-
Eastland Medical Ltd	Medcial consumbales	United Kingdom	Ordinary	41.00%	41.00%	-	452,506
						-	852,506

(a) Movements during the Year in Equity Accounted Investments in Associated Companies

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Balance at beginning of the financial year		444,574	10	852,506	452,506
Add: New investments during the year		-	399,990	-	400,000
Share of associated company's profit after income tax	13b	-	44,574	-	-
Share of associated company's reserve increments arising during the year		-	-	-	-
Less: Dividend revenue from associated company		-	-	-	-
Disposals during the year		-	-	-	-
Impairment loss		(444,574)	-	(852,506)	-
Balance at end of the financial year		-	444,574	-	852,506

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Note 14 Financial Assets

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
CURRENT					
Available-for-sale financial assets	14a	116,621	1,885,074	920,449	1,885,074
		116,621	1,885,074	920,449	1,885,074
NON CURRENT					
Available-for-sale financial assets	14a	1,112,566	807,889	2,415,193	1,545,602
		1,112,566	807,889	2,415,193	1,545,602
(a) Available-for-sale financial assets Comprise:					
CURRENT					
Unlisted investments, at cost					
— shares in unlisted company		116,621	1,885,074	116,620	1,885,074
— shares in controlled entity		-	-	803,829	-
Total current available for sale financial assets		116,621	1,885,074	920,449	1,885,074
Total current available-for-sale financial assets		116,621	1,885,074	920,449	1,885,074
NON CURRENT					
Unlisted investments, at cost					
— shares in unlisted company		1,112,566	807,889	1,112,566	1,545,602
— shares in controlled entity		-	-	1,302,627	-
		1,112,566	807,889	2,415,193	1,545,602
Total non-current available-for-sale financial assets		1,112,566	807,889	2,415,193	1,545,602

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

The fair value of unlisted available-for-sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. As a result, all unlisted investments are reflected at cost. Unlisted available-for-sale financial assets exist within active markets and could be disposed of if required.

Note 15 Controlled Entities

(a) Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)*	
		2008	2007
Subsidiaries of Eastland Medical Systems Ltd:			
Portland Surgical Products Pty Ltd	Australia	100.00	100.00
Medical Industries Australia Pty Ltd	Australia	100.00	100.00
Eastland Medical (WA) Pty Ltd	Australia	100.00	100.00
Eastland Medical (QLD) Pty Ltd	Australia	100.00	100.00
Eastland Medical Research Pty Ltd	Australia	100.00	100.00
Star Medical (Botswana) Ltd	Botswana	78.00	32.00
Eastland Medical Systems S.A. Pty Ltd	South Africa	65.00	65.00
Phoenix Medical Services Pty Ltd	Australia	100.00	0.00

* Percentage of voting power is in proportion to ownership

(b) Acquisition of Controlled Entities

On 1st October 2007, Medical Industries Australia Pty Ltd acquired 100% of Phoenix Medical Services Pty Ltd, with Medical Industries Australia Pty Ltd entitled to all profits earned from 1st October 2007 for a purchase consideration of \$100,000.

During the period Eastland Medical Systems Ltd acquired a further 46% of Star Medical (Botswana) Ltd. The purchase consideration of \$ 1,607,658 was by the issue of 5,358,860 ordinary fully paid shares in Eastland Medical Systems Ltd at the fair value of \$0.15 cents per share.

(c) Disposal of Controlled Entities

Nil

EASTLAND MEDICAL SYSTEMS LTD ABN: 35 090 987 250 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Note 16 Property, Plant and Equipment

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
LAND AND BUILDINGS					
Freehold land at:					
at cost	11	-	100,000	-	-
Total Land		-	100,000	-	-
Buildings at:					
at cost	11	-	570,000	-	-
Less accumulated depreciation	11	-	(28,144)	-	-
Total Buildings		-	541,856	-	-
Total Land and Buildings		-	641,856	-	-
PLANT AND EQUIPMENT					
Plant and equipment:					
At cost		1,269,210	1,359,160	393,555	323,835
Accumulated depreciation		(871,838)	(849,597)	(202,143)	(145,213)
Accumulated impairment losses		-	-	-	-
		397,372	509,563	191,412	178,622
Leasehold improvements					
At cost		109,248	77,840	13,882	13,882
Accumulated amortisation		(36,629)	(18,825)	(1,624)	(236)
Total Leasehold Improvements		72,619	59,015	12,258	13,646
Leased plant and equipment					
Capitalised leased assets		435,643	297,338	91,659	91,659
Accumulated depreciation		(195,212)	(77,644)	(37,132)	(17,584)
		240,431	219,694	54,527	74,075
Total plant and equipment		710,422	788,272	258,197	266,343
Total Property, Plant and Equipment		710,422	1,430,128	258,197	266,343

(a) Movements in Carrying Amounts

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

	Freehold Land	Buildings	Leasehold Improvements	Plant and Equipment	Leased Plant and Equipment	Total
	\$	\$	\$	\$	\$	\$
Consolidated Group:						
Balance at 1 July 2006	100,000	555,750	46,508	395,634	254,920	1,352,812
Additions	-	-	19,782	214,285	41,654	275,721
Disposals	-	-	-	(57,117)	(72,146)	(129,263)
Additions through acquisition of entity	-	-	-	149,608	-	149,608
Revaluation increments / (decrements)	-	-	-	-	-	-
Depreciation expense	-	(13,894)	(7,275)	(192,847)	(4,734)	(218,750)
Capitalised borrowing costs and depreciation	-	-	-	-	-	-
Balance at 30 June 2007	100,000	541,856	59,015	509,563	219,694	1,430,128
Additions	-	-	31,408	120,287	138,305	290,000
Disposals	-	-	-	(89,950)	-	(89,950)
Additions through acquisition of entity	-	-	-	-	-	-
Non current assets classified as held for sale	(100,000)	(300,000)	-	-	-	(400,000)
Depreciation expense	-	(241,856)	(17,804)	(142,528)	(117,568)	(519,756)
Impairment losses	-	-	-	-	-	-
Balance at 30 June 2008	-	-	72,619	397,372	240,431	710,422
Parent Entity:						
Balance at 1 July 2006	-	-	-	158,877	75,545	234,422
Additions	-	-	13,882	47,898	11,387	73,167
Additions through acquisition of entity	-	-	-	-	-	-
Depreciation expense	-	-	(236)	(28,153)	(12,857)	(41,246)
Balance at 30 June 2007	-	-	13,646	178,622	74,075	266,343
Additions	-	-	-	52,137	17,584	69,721
Depreciation expense	-	-	(1,388)	(39,347)	(37,132)	(77,867)
Balance at 30 June 2008	-	-	12,258	191,412	54,527	258,197

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Note 17 Intangible Assets

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Goodwill				
Cost	7,318,089	6,201,115	-	-
Accumulated impaired losses	(4,896,796)	(152,777)	-	-
Net carrying value	2,421,293	6,048,338	-	-
Trademarks and licences				
Cost	2,492,663	2,492,663	2,192,659	2,192,659
Accumulated amortisation and impairment	-	-	-	-
Net carrying value	2,492,663	2,492,663	2,192,659	2,192,659
Development costs				
Cost	3,083,294	1,531,446	1,859,590	1,385,848
Accumulated amortisation and impairment	-	-	-	-
Net carrying value	3,083,294	1,531,446	1,859,590	1,385,848
Total intangibles	7,997,250	10,072,447	4,052,249	3,578,507

Consolidated Group:

	Goodwill	Trademarks & Licences	Development Costs
	\$	\$	\$
Year ended 30 June 2007			
Balance at the beginning of year	4,635,076	2,502,659	1,531,446
Acquisitions through business combinations	1,566,039	-	-
Amortisation charge	(152,777)	(9,996)	-
Impairment losses	-	-	-
	6,048,338	2,492,663	1,531,446

Year ended 30 June 2008

Balance at the beginning of year	6,048,338	2,492,663	1,531,446
Additions	-	-	1,551,848
Acquisitions through business combinations	1,116,974	-	-
Amortisation charge	(168,191)	-	-
Impairment losses	(4,575,828)	-	-
Closing value at 30 June 2008	2,421,293	2,492,663	3,083,294

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the income statement. Goodwill has an infinite life.

Impairment Disclosures

Goodwill is allocated to cash-generating units which are based on the group's reporting segments

	2008	2007
	\$	\$
Manufacturing segment	-	69,060
Distribution segment	2,421,293	5,979,278
Total	2,421,293	6,048,338

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5-year period using an estimated growth rate. The cash flows are discounted using the weighted average cost of capital at the beginning of the budget period.

The following assumptions were used in the value-in-use calculations:

	Growth Rate	Discount Rate
Manufacturing segment	2.00%	15.75%
Distribution segment	2.00%	15.75%

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

Note 18 Other Assets

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
CURRENT				
Prepayments	12,072	-	-	-
	<u>12,072</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note 19 Trade and Other Payables

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
CURRENT					
Unsecured liabilities:					
Trade payables		1,314,127	2,118,532	207,710	240,088
Sundry payables and accrued expenses		328,192	199,354	86,748	1,138,881
		<u>1,642,319</u>	<u>2,317,886</u>	<u>294,458</u>	<u>1,378,969</u>

Note 20 Financial Liabilities

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
CURRENT					
Unsecured liabilities:					
Lease liability	24	76,097	98,100	76,101	83,720
Convertible notes	22b	357,000	277,000	357,000	277,000
		<u>433,097</u>	<u>375,100</u>	<u>433,101</u>	<u>360,720</u>
Secured liabilities:					
Bank overdrafts	20a,c	69,179	65,012	-	-
Bank loans	20a,d	2,731,108	2,108,553	-	-
		<u>2,800,287</u>	<u>2,173,565</u>	<u>-</u>	<u>-</u>
		<u>3,233,384</u>	<u>2,548,665</u>	<u>433,101</u>	<u>360,720</u>
NON-CURRENT					
Unsecured liabilities:					
Lease liability	24	171,291	145,613	-	-
		<u>171,291</u>	<u>145,613</u>	<u>-</u>	<u>-</u>
Secured liabilities:					
Other loans	20a,d	48,760	1,422,779	-	-
		<u>48,760</u>	<u>1,422,779</u>	<u>-</u>	<u>-</u>
		<u>220,051</u>	<u>1,568,392</u>	<u>-</u>	<u>-</u>

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
(a) Total current and non-current secured liabilities:				
Bank overdraft	69,179	65,012	-	-
Bank loan	2,779,868	3,531,332	-	-
	<u>2,849,047</u>	<u>3,596,344</u>	<u>-</u>	<u>-</u>

(b) The carrying amounts of non-current assets pledged as security are:				
First mortgage				
Freehold land and buildings	400,000	670,000	-	-
Floating charge over assets, including listed investments at market value	11,943,726	12,861,864	-	-
	<u>12,343,726</u>	<u>13,531,864</u>	<u>-</u>	<u>-</u>

(c) The bank overdrafts of the parent entity and subsidiaries secured by a registered first mortgage over certain freehold properties of controlled entities				
--	--	--	--	--

(d) The bank and mortgage loans are secured by registered first mortgages over certain freehold property of the parent entity and the subsidiaries
The covenants within the bank borrowings require:

- 1 Total bank debt not to exceed 1.3:1 of total tangible assets, and borrowing costs not to exceed 3.00:1 of profit before income tax and finance costs
- 2 Interest Cover not less than 2.5:1, Debt Ratio not less than 1.20:1, Bank overdraft not less than 30% of debtors less than 90 days, and Minimum EBITDA \$420,000.

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Covenants

Some of the company's credit contracts are subject to covenant clauses, whereby the company is required to meet certain key performance indicators. The company did not fulfil the debt/equity and interest cover ratios as required in the contract for the Trade Finance credit line of \$2,000,000, of which the company has currently drawn an amount of \$1,624,423. The company also did not fulfil the minimum EBITDA amount as required in the contract for the Commercial Advance Facility, of which the current balance is \$1,005,000.

Due to the Trade Finance breach of the covenant clause, the bank is contractually entitled to request early repayment of the outstanding amount of \$1,624,423. The outstanding balance has been classified as a current liability. Management started renegotiating the terms of the trade finance agreement when it became evident that the covenant clause had been breached.

The company is currently renegotiating the terms of the trade finance agreement and expects this matter to be concluded by 31st October 2008.

(e) Bills Payable

Bills payable have been drawn as a source of long-term finance. They mature on 90 days and bear variable interest at 7.75% payable in advance (2007: 8.80%)

Consolidated Group		Parent Entity	
2008	2007	2008	2007
\$	\$	\$	\$
250,000	250,000	-	-

Note 21 Provisions

CURRENT
Employee Entitlements

Consolidated Group		Parent Entity	
2008	2007	2008	2007
\$	\$	\$	\$
208,511	236,139	98,655	96,430

Analysis of Total Provisions

Current
Non-current

Consolidated Group		Parent Entity	
2008	2007	2008	2007
\$	\$	\$	\$
208,511	236,139	98,655	96,430
-	-	-	-
208,511	236,139	98,655	96,430

Provision for Long-term Employee Benefits

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

Note 22 Issued Capital

186,618,161 (2007: 158,885,529) fully paid ordinary shares

Consolidated Group		Parent Entity	
2008	2007	2008	2007
\$	\$	\$	\$
26,376,681	20,818,490	26,376,681	20,818,490
26,376,681	20,818,490	26,376,681	20,818,490

(a) Ordinary Shares

At the beginning of reporting period
Shares issued 01/07/2006 to 30/06/2007
Shares issued during year
— 01/08/2007 Capital raising, issued at \$0.18
— 01/10/2007 Research report, issued at \$0.16
— 01/11/2007 Phoenix Medical Equipment Services Pty Ltd at \$0.172
— 01/01/2008 Capital raising, issued at \$0.16
— 01/04/2008 Capital raising, issued at \$0.15
— 25/06/2008 Purchase shares, Star Medical (Botswana) Limited at \$0.15

Consolidated Group		Parent Entity	
2008	2007	2008	2007
No.	No.	No.	No.
158,885,529	128,427,234	158,885,529	128,427,234
-	30,458,295	-	30,458,295
12,300,000	-	12,300,000	-
125,000	-	125,000	-
261,628	-	261,628	-
4,062,500	-	4,062,500	-
10,983,504	-	10,983,504	-
5,358,880	-	5,358,880	-
191,977,041	158,885,529	191,977,041	158,885,529

At reporting date

Fully paid Ordinary shares have no par value.

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

(b) Options

- For information relating to the Eastland Medical Systems Ltd employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end. Refer to Note 28: Share-based Payments.
- For information relating to share options issued to key management personnel during the financial year. Refer to Note 28: Share-based Payments.

(c) Capital Management

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

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

There are no externally imposed capital requirements, other than those disclosed at Note 20(d).

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

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. This strategy is to ensure that the group's gearing ratio remains between 25% and 35%. The gearing ratio's for the year ended 30 June 2008 and 30 June 2007 are as follows:

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Total borrowings	19, 20	5,095,754	6,434,943	727,559	1,739,689
Less cash and cash equivalents	8	(486,267)	(834,874)	(142,649)	(385,696)
Net debt		4,609,487	5,600,069	584,910	1,353,993
Total equity		10,509,687	14,327,171	9,428,479	14,247,172
Total capital		15,119,174	19,927,240	10,013,390	15,601,165
Gearing ratio		30%	28%	6%	9%

Note 23 Reserves

(a) **Asset Revaluation Reserve**

The asset revaluation reserve records revaluations of non-current assets Under certain circumstances dividends can be declared from this reserve.

(b) **Foreign Currency Translation Reserve**

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

(c) **Option Reserve**

The option reserve records items recognised as expenses on valuation of employee share options

(d) **Share Redemption Reserve**

The share redemption reserve records value of un-marketable share parcels for redemption

Note 24 Capital and Leasing Commitments

	Note	Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
(a) Finance Lease Commitments					
Payable — minimum lease payments					
— not later than 12 months		101,369	98,100	34,872	19,416
— between 12 months and 5 years		173,799	145,613	53,627	64,303
— greater than 5 years		-	-	-	-
Minimum lease payments		275,168	243,713	88,499	83,719
Less future finance charges		(27,780)	-	(12,398)	-
Present value of minimum lease payments	20	247,388	243,713	76,101	83,719

The finance lease on manufacturing plant and equipment and motor vehicles, three-year leases with an option to refinance at the end. The equipment and motor vehicles being leased have lease payments paid monthly in advance with a residual of 20%.

		Consolidated Group		Parent Entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
(b) Operating Lease Commitments					
Non-cancellable operating leases contracted for but not capitalised in the financial statements					
Payable — minimum lease payments					
— not later than 12 months		498,649	387,885	53,428	51,591
— between 12 months and 5 years		400,967	1,163,655	108,744	103,182
— greater than 5 years		-	-	-	-
		899,616	1,551,540	162,172	154,773

The property lease is a non-cancellable lease with a three-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by CPI per annum. An option exists to renew the lease at the end of the three-year term for an additional term of three years.

(c) **Capital Expenditure Commitments**

Capital expenditure commitments contracted for:
Capital expenditure projects

-	650,500	-	650,500
-	650,500	-	650,500

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Payable:

— not later than 12 months	-	650,500	-	650,500
— between 12 months and 5 years	-	-	-	-
— greater than 5 years	-	-	-	-
	-	650,500	-	650,500

Note 25 Contingent Liabilities and Contingent Assets

Estimates of the potential financial effect of contingent liabilities that may become payable:

Contingent Liabilities

Business and Asset Sale Agreement

Pursuant to the Business and Asset Sale Agreement for the acquisition of West Coast Surgical and Medical Supplies on 31st August 2006 the following additional amounts are payable by the company to the vendors, contingent upon meeting these agreed annual anniversary date EBIT targets.

Year 1 and Year 2 targets not achieved

Additional Amounts Payable

	Year 1	Year 2	Year 3
Target EBIT	# 552,000	# 624,000	748,000
	-	-	168,000
Consolidated Group	2008	2007	Parent Entity
	\$	\$	2008 2007
	\$	\$	\$ \$

Related party guarantees provided by the parent entity

The parent entity has provided guarantees to third parties in relation to the performance and obligations of controlled entities in respect to banking facilities and intercompany loans. The guarantees are for the terms of the facilities and arrangements.

-	-	2,426,691	7,164,946
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Note 26 Segment Reporting

	2008	Eliminations	2007	2008	Distribution	2007	Research & Development	2008	2007	Consolidated Group	(Continuing Operations)	2008	2007
	\$		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Primary Reporting — Business Segments													
REVENUE													
External Sales				11,740,233	9,508,161	-	-	11,740,233	9,508,161				
Other segments	(239,316)		(883,261)	239,316	883,261	-	-	-	-				
Total sales revenue	(239,316)		(883,261)	11,979,549	10,391,422	-	-	11,740,233	9,508,161				
Unallocated revenue				-	-	-	-	173,342	1,043,763				
Total revenue				11,979,549	10,391,422	-	-	11,913,575	10,551,924				
RESULT													
Segment result				(230,751)	(811,404)	(49,739)	-	(280,490)	(811,404)				
Unallocated expenses													
net of unallocated													
revenue				-	-	-	-	(9,367,064)	(1,240,533)				
Share of net profits of													
associates				-	-	-	-		44,574				
Profit before income				(230,751)	(811,404)	(49,739)	-	(9,647,554)	(2,007,363)				
Income tax expense													
Profit after income tax				(230,751)	(811,404)	(49,739)	-	(9,647,554)	(2,007,363)				
ASSETS													
Segment assets				8,786,307	13,350,887	1,640,405	-	10,426,713	13,350,887				
Unallocated assets				-	-	-	-	5,637,239	7,647,367				
Total assets				8,786,307	13,350,887	1,640,405	-	16,063,952	20,998,254				
LIABILITIES													
Segment liabilities	(4,643,477)		(7,018,432)	8,706,263	13,431,015	665,266	-	4,728,052	6,412,583				
Unallocated liabilities				-	-	-	-	826,213	258,500				
Total liabilities				8,706,263	13,431,015	665,266	-	5,554,265	6,671,083				

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OTHER						
Investments accounted for using the equity method	-	-	-	-	-	444,575
Impairment Losses						
	6,187,669	233,143	-	-	6,187,669	233,143
Acquisitions of non-current segment assets	184,604	1,501,518	1,609,607	-	1,794,211	1,501,518
Depreciation and amortisation of segment assets	687,756	371,527	-	-	687,756	371,527
Other non-cash segment expenses	-	-	-	-	-	-

Secondary Reporting — Geographical Segments

	Segment Revenues from External Customers		Carrying Amount of Segment Assets		Acquisitions of Non-current Segment Assets	
	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$
Geographical location:						
Australia	11,740,233	9,508,161	10,426,713	13,350,887	1,794,211	1,501,518
Other Countries	-	-	-	-	-	-
	<u>11,740,233</u>	<u>9,508,161</u>	<u>10,426,713</u>	<u>13,350,887</u>	<u>1,794,211</u>	<u>1,501,518</u>

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Intersegment Transfers

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

Business and Geographical Segments

Business segments

The consolidated group has the following business segments:

- Research & Development division for the development of pharmaceutical products used in the medical industry.
- Distribution division provides a range of medical devices throughout Australia.

Geographical segments

The consolidated group's business segments are located in Australia. Only minor exports are made to other countries.

Impairment Losses

An impairment loss amounting to \$4,575,828 relating to goodwill of Medical Industries Australia was recognised as an expense for the year ended 30 June 2008.

Note 27 Cash Flow Information

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
(a) Reconciliation of Cash Flow from Operations with Loss after Income Tax				
Loss after income tax	(9,633,525)	(2,007,363)	(10,465,528)	(2,180,100)
Cash flows excluded from loss attributable to operating activities				
Non-cash flows in loss				
Amortisation	168,189	152,777	-	-
Depreciation	519,567	149,672	77,867	41,849
Net gain/(loss) on disposal of property, plant and equipment	(454)	3,701	-	-
Net gain on disposal of investments	-	(952,672)	-	(952,671)
Share options expensed	83,334	-	83,334	-
Impairment loss	6,187,669	233,143	8,336,294	1,265,463
Minority Interest elimination	(14,029)	-	-	-
Share of associated companies net profit after income tax and dividends	-	(44,574)	-	-

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Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries

(Increase)/decrease in trade and term receivables	(996,612)	(389,072)	-	66,994
(Increase)/decrease in inventories	576,430	(876,508)	-	-
Increase/(decrease) in trade payables and accruals	(67,879)	962,842	126,005	(76,871)
Increase/(decrease) in provisions	475,727	567,413	102,224	27,952
Cash flow from operations	<u>(2,701,583)</u>	<u>(2,200,641)</u>	<u>(1,739,804)</u>	<u>(1,807,384)</u>

(b) Acquisition of Entities

During the period Medical Industries Australia Pty Ltd acquired Phoenix Medical Pty Ltd, a medical equipment servicing company for \$100,000. The purchase consideration comprised \$55,000 cash and \$45,000 in shares in Eastland Medical Systems Ltd (261,628 shares @ 17.2 cents). No assets and liabilities arising from the acquisition were taken over at acquisition date

During the period Eastland Medical Systems Ltd contracted to acquire a further 46% shareholding in Star Medical (Botswana) Ltd with a related party company Feezone Pty Ltd of which Mr Douglas Sims, a director of Eastland Medical Systems Ltd, has a major interest holding and Dr Kwame Amuah, a minority shareholder. The net effect of the transaction will increase Eastland Medical Systems shareholding in Star Medical (Botswana) Ltd to 78%. The purchase consideration comprised of \$1,607,658 of cash (recognised in the previous year) and shares in Eastland Medical Systems Ltd (5,358,860 shares @ 15.0 cents per share).

	2008 \$		2007 \$	
Details of these transaction are:	Star Medical (Botswana)	Phoenix Medical	Westcoast Surgical	Ampack Medical
Purchase consideration	1,607,658	100,000	2,278,724	400,000
Cash consideration	803,829	55,000	1,428,224	-
Equity issued as consideration	803,829	45,000	850,500	400,000
Cash outflow	<u>1,607,658</u>	<u>100,000</u>	<u>2,278,724</u>	<u>400,000</u>
Assets and liabilities held at acquisition date:				
Receivables	10,150	-	527,558	29,997
Inventories	-	-	831,975	147,447
Property, plant and equipment	429,206	-	149,605	193,003
Payables	(63,202)	-	(779,590)	(291,967)
	<u>376,154</u>	<u>-</u>	<u>729,548</u>	<u>78,480</u>
Goodwill on consolidation	1,016,974	100,000	1,549,176	321,520
Minority equity interests in acquisition	214,530	-	-	-
	<u>1,607,658</u>	<u>100,000</u>	<u>2,278,724</u>	<u>400,000</u>

The goodwill recognised on the acquisition is attributable to the synergies expected to be achieved from intergrating the companies into the consolidated entities existing medical products business.

The assets and liabilities arising from the acquisition are recognised at fair value which is equal to its carrying value.

(c) Non-cash Financing and Investing Activities

(i) Share issue

261,628 ordinary shares were issued at 17.2 cents as part of the consideration for the purchase of Phoenix Medical Services Pty Ltd. The share issue was based on the fair value of the company.

5,358,860 ordinary shares were issued at \$0.30 cents as part of the consideration for the purchase of Star Medical (Botswana) Limited. The share issue was based on the fair value of the company.

(d) Credit Standby Arrangements with Banks

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Credit facility	460,000	460,000		
Amount utilised	(318,178)	(315,012)		
	<u>141,822</u>	<u>144,988</u>	<u>-</u>	<u>-</u>

The major facilities are summarised as follows:

Bank overdrafts	150,000	150,000
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Bank overdraft facilities are arranged with a number of Australian banks with the general terms and conditions being set and agreed to annually

Interest rates are variable and subject to adjustment

Commercial bill facility, 90 day variable interest rate facility provided by various Australian banks	250,000	250,000
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Credit Card facility, variable interest rate facility provided by various Australian banks	60,000	60,000
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(e) Loan Facilities

Loan facilities	2,000,000	2,000,000		
Amount utilised	(1,624,423)	(1,891,959)		
	<u>375,577</u>	<u>108,041</u>	<u>-</u>	<u>-</u>

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The major facilities are summarised as follows:

Trade finance facility

2,000,000 loan facility. Termination of the agreement can be effected by notice in writing from either party. Finance will be provided under all facilities provided the company and the economic entity have not breached any borrowing requirements and the required financial ratios are met. Refer Note 20(d) for further details

Note 28 Share-based Payments

The following share-based payment arrangements existed at 30 June 2008.

On 24/04/2008, 6,000,000 share options were granted to employees under the Eastland Medical Systems Ltd employee option plan to take up ordinary shares at an exercise price of \$0.15 each. The options are exercisable by employees split evenly over 3 years, and cannot be exercised on or before the grant date anniversary. The options hold no voting or dividend rights and are not transferable. At balance date, no share options were eligible to be exercised.

All options granted to key management personnel are ordinary shares in Eastland Medical Systems Ltd which confer a right of one ordinary share for every option held.

	Consolidated Group				Parent Entity			
	2008	2007	2008	2007	2008	2007	2008	2007
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	0	0.00	-	0.00	-	0.00	-	0.00
Granted	6,000,000	0.15	-	0.00	6,000,000	0.15	-	0.00
Forfeited	0	0.00	-	0.00	-	0.00	-	0.00
Exercised	0	0.00	-	0.00	-	0.00	-	0.00
Expired	0	0.00	-	0.00	-	0.00	-	0.00
Outstanding at year-end	6,000,000		-		6,000,000		-	
Exercisable at year-end	-		-		-		-	

The weighted average fair value of the options granted during the year was \$0.15.

This price was calculated by using a Black Scholes option pricing model applying the following inputs:

Weighted average exercise price	\$0.15
Weighted average life of the option	3 years
Underlying share price	\$0.165
Expected share price volatility	100%
Risk free interest rate	6.45%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under employee benefits expense in the income statement is \$83,334 (2007:Nil) relates to the vested value of the equity-settled share-based payment transaction.

Note 29 Events After the Balance Sheet Date

- On 15th July 2008 Eastland® issued 500,000 fully paid ordinary shares at \$0.15 cents per share in terms of the ArTiMist™ contract & 5,372,207 fully paid ordinary shares at an issue price of \$0.15 cents per share in consideration for increased share holding in Star Medical Botswana, as approved by shareholders on 25th June 2008.
- On 15th August 2008 the Company issued Unsecured Convertible Notes of \$1.00 to the value of \$218,540.
- On 27th August 2008 the Company issued 4,662,603 ordinary shares at \$0.14 cents per share and 4,662,603 Options exercisable at \$0.20 cents expiring 31st May 2011 to raise \$676,077 before expenses.
- On the 31st August 2008 unlisted Options EMSAM 500,000 exercisable at \$0.15 cents and EMSO 339,500 exercisable at \$0.20 cents expired.
- On 2nd September 2008 the Company issued Unsecured Convertible Notes of \$1.00 to the value of \$180,000

Note 30 Related Party Transactions

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$

Transactions between 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:

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(a) **Other Related Parties**

Purchase of surgical instruments from Australian Medical Supplies Pty Ltd of which Mr Craig Inglis has a controlling interest were transacted during the year.	66,434	-	-	-
Rent paid on 56 Catalano Circuit Canningvale by Eastland Medical (WA) Pty Ltd to Granworld Pty Ltd, a company of which Craig Inglis has a controlling interest.	106,098	85,833	-	-
Purchase of 25,096,357 ordinary Star Medical (Botswana) Limited shares from Feezone Pty Ltd, a company of which Douglas Sims has a controlling interest, for \$1,003,854 of Eastland Medical Systems Ltd ordinary shares at \$0.30 cents per share	1,003,854	-	-	-
Purchase of 15,095,092 ordinary Star Medical (Botswana) Limited shares from Kwame Amuah, a minority shareholder of the company, for \$603,804 of Eastland Medical Systems Ltd ordinary shares at \$0.30 cents per share	603,804	-	-	-
Loan to Kwame Amuah, a former director of Star Medical, from Star Medical (Botswana) Limited	805	-	-	-
Loan from Star Medical (Botswana) Limited to David Anderson, a director of the company	(8,981)	-	-	-
Loan from Douglas Sims, a director of Star Medical (Botswana) Limited and Eastland Medical Systems Ltd, to Star Medical (Botswana) Limited.	24,217	-	-	-
Loan to Donald O'Sullivan, a former director of Star Medical, from Star Medical (Botswana) Limited	(299)	-	-	-
(b) Key Management Personnel				
Mr Trevor Strahan - Convertible Note (maturing 09/08/2008)	50,000	50,000	50,000	50,000
Mr Peter Jooste - Legal Retainer	30,000	30,000	30,000	30,000

Note 31 Financial Risk Management

(a) **Financial Risk Management Policies**

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

The main purpose of non-derivative financial instruments is to raise finance for group operations. Such instruments include forward exchange contracts. The group does not speculate in the trading of derivative instruments.

(i) **Treasury Risk Management**

A finance committee consisting of senior executives of the group meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The committee's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The finance committee operates under policies approved by the board of directors. Risk management policies are approved and reviewed by the Board on a regular basis. These include the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

(ii) **Financial Risk Exposures and Management**

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

Interest rate risk

Interest rate risk is managed through floating rate debt. For further details on interest rate risk refer to Note 31(b)(i) & (ii).

Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services and translation of overseas subsidiary in currencies other than the group's measurement currency. Refer to Note 31(b)(i) for further details.

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

In respect of the parent entity, credit risk also incorporates the exposure of Eastland Medical Systems Ltd to the liabilities of all members of the closed group under the deed of cross-guarantee. Refer to Note 25 for further information.

Credit risk is managed on a group basis and reviewed regularly by the finance committee. It arises from exposures to customers as well as through certain derivative financial instruments and deposits with financial institutions.

The finance committee monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- only banks and financial institutions with an 'A' rating are utilised;
- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing;
- customers that do not meet the group's strict credit policies may only purchase in cash or using recognised credit cards.

The Group only invests in listed available-for-sale financial assets that have a minimum 'A' credit rating. Unlisted available-for-sale financial assets are not rated by external credit agencies. These are reviewed regularly by the Group to ensure that credit exposure is minimised.

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The credit risk for counterparties included in trade and other receivables at 30 June 2008 is detailed below:

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Trade and other receivables				
AA rated counterparties	-	-	-	-
B rates counterparties	2,196,756	1,886,727	2,465,956	7,569,563
Counterparties not rated	97,397	62,150	-	-
Total	2,294,153	1,948,877	2,465,956	7,569,563

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the contract to meet their obligations. The credit risk exposure to forward exchange contracts and interest rate swaps is the net fair value of these contracts as disclosed in Note 31.

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

Price risk

The group is not exposed to any price risk.

(b) Financial Instruments

(i) Derivative Financial Instruments

Derivative financial instruments are used by the consolidated group to hedge exposure to exchange rate risk associated with foreign currency borrowings and interest rate risk associated with movements in interest rates which impact on the borrowings of the consolidated group. Transactions for hedging purposes are undertaken without the use of collateral as only reputable institutions with sound financial positions are dealt with.

Forward exchange contracts

The consolidated group enters into forward exchange contracts to buy and sell specified amounts of foreign currencies in the future at stipulated exchange rates. The objective in entering the forward exchange contracts is to protect the consolidated group against unfavourable exchange rate movements for both the contracted and anticipated future sales and purchases undertaken in foreign currencies. The accounting policy in regard to forward exchange contracts is detailed in Note 1(f).

At balance date, the details of outstanding forward exchange contracts are:

	Consolidated Group		Average Exchange Rate	
	2008	2007	2008	2007
	\$	\$	\$	\$
Buy United States Dollars				
Settlement				
Less than 6 months	1,074,076	1,048,794	0.90	0.79
Buy Australian Dollars				
Settlement				
Less than 6 months	550,347	843,165	0.90	0.79
Balance at 30 June	1,624,423	1,891,959		

(ii) Financial Instrument Composition and Maturity Analysis

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

			Fixed Interest Rate Maturing					
Weighted Average Effective Interest Rate			Floating Interest Rate		Within 1 Year		1 to 5 years	
%			\$		\$		\$	
Consolidated Group	2008	2007	2008	2007	2008	2007	2008	2007
Financial Assets:								
Cash and cash equivalents	6.00	5.57	388,672	724,942	97,595	105,178	-	-
Receivables	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Total Financial Asset			388,672	724,942	97,595	105,178	-	-
			Fixed Interest Rate Maturing					
			Over 5 Years		Non-interest Bearing		Total	
			\$		\$		\$	
			2008	2007	2008	2007	2008	2007
Financial Assets:								
Cash and cash equivalents			-	-	-	4,754	486,267	834,874
Receivables			-	-	2,294,153	1,948,877	2,294,153	1,948,877
Investments			-	-	1,229,187	3,137,537	1,229,187	3,137,537
Total Financial Asset			-	-	3,523,340	5,091,168	4,009,607	5,921,288

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		Fixed Interest Rate Maturing							
Weighted Average Effective Interest Rate %		Floating Interest Rate \$		Within 1 Year \$		1 to 5 years \$			
	2008	2007	2008	2007	2008	2007	2008	2007	
Consolidated Group Financial Liabilities:									
Bank loans and overdrafts	9.17	8.60	2,698,604	3,420,827	-	-	-	-	-
Convertible Notes	12.00	10.00	-	-	357,000	277,000	-	-	-
Trade and sundry payables	-	-	-	-	-	-	-	-	-
Lease liabilities	8.75	8.75	-	-	76,097	98,100	171,291	195,613	
Total Financial Liabilities			2,698,604	3,420,827	433,097	375,100	171,291	195,613	
Financial Liabilities:									
		Fixed Interest Rate Maturing Over 5 Years \$		Non-interest Bearing \$		Total \$			
	2008	2007	2008	2007	2008	2007	2008	2007	
Bank loans and overdrafts	-	-	-	-	-	-	2,698,604	3,420,827	
Convertible Notes	-	-	-	-	-	-	357,000	277,000	
Trade and sundry payables	-	-	1,642,319	2,317,886	1,642,319	2,317,886			
Other Third party Loans	-	-	150,443	175,517	150,443	175,517			
Lease liabilities	-	-	-	-	247,388	293,713			
Total Financial Liabilities	-	-	1,792,762	2,493,403	5,095,754	6,484,943			
Parent Entity Financial Assets:									
		Fixed Interest Rate Maturing Over 5 Years \$		Non-interest Bearing \$		Total \$			
	2008	2007	2008	2007	2008	2007	2008	2007	
Cash and cash equivalents	6.00	5.57	142,649	366,051	-	19,645	-	-	
Receivables	-	-	-	-	-	-	-	-	
Investments	-	-	-	-	-	-	-	-	
Total Financial Asset			142,649	366,051	-	19,645	-	-	
Financial Assets:									
Cash and cash equivalents	-	-	-	-	-	-	142,649	385,696	
Receivables	-	-	2,465,956	7,569,563	2,465,956	7,569,563			
Investments	-	-	3,335,643	4,283,182	3,335,643	4,283,182			
Total Financial Asset	-	-	5,801,599	11,852,745	5,944,248	12,238,441			
Parent Entity Financial Liabilities:									
		Fixed Interest Rate Maturing Over 5 Years \$		Non-interest Bearing \$		Total \$			
	2008	2007	2008	2007	2008	2007	2008	2007	
Convertible Notes	12.00	10.00	-	-	357,000	277,000	-	-	
Trade and sundry payables	-	-	-	-	-	-	-	-	
Lease liabilities	8.75	8.75	-	-	26,478	19,416	49,622	64,303	
Financial guarantees	-	-	-	-	-	-	-	-	
Total Financial Liabilities	-	-	383,478	296,416	49,622	64,303			

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	Fixed Interest Rate Maturing Over 5 Years		Non-interest Bearing		Total	
	2008	2007	2008	2007	2008	2007
	\$		\$		\$	
Financial Liabilities:						
Convertible Notes	-	-	-	-	357,000	277,000
Trade and sundry payables	-	-	294,458	1,378,969	294,458	1,378,969
Lease liabilities	-	-	-	-	76,100	83,719
Financial guarantees	-	-	-	-	-	-
Total Financial Liabilities	-	-	294,458	1,378,969	727,558	1,739,688

Trade and sundry payables are expected to be paid as follows:

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Less than 6 months	761,863	868,304	194,458	266,403
6 months to 1 year	160,620	936,918	100,000	1,112,566
1-5 years	719,836	512,664	-	-
Over 5 years	-	-	-	-
	1,642,319	2,317,886	294,458	1,378,969

(iii) Net Fair Values

The net fair values of:

- Term receivables and government and fixed interest securities and bonds are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.
- Listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For unlisted investments where there is no organised financial market the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment
- Debentures, bills of exchange and promissory notes which are traded on organised financial markets, are based on the quoted market offer price at balance date adjusted for transaction costs expected to be incurred.
- Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings to their present value.
- Forward exchange contracts are the recognised unrealised gain or loss at balance date determined from the current forward exchange rates for contracts with similar maturities.
- Interest rate swaps are the present value of the future net interest cash flows.
- Other assets and other liabilities approximate their carrying value.

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

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

The net fair value of financial assets and financial liabilities of the Group approximates their carrying value.

(iv) Sensitivity analysis

Interest Rate Risk and Foreign Currency Risk.

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

Interest Rate Sensitivity Analysis

follows:

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Change in profit				
— Increase in interest rate by 2%	(70,729)	(80,964)	(8,322)	(7,214)
— Decrease in interest rate by 2%	70,729	80,964	8,322	7,214
Change in equity				
— Increase in interest rate by 2%	(70,729)	(80,964)	(8,322)	(7,214)
— Decrease in interest rate by 2%	70,729	(80,964)	8,322	7,214

Foreign Currency Risk and Sensitivity Analysis

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As at 30 June 2008, the effect on profit and equity as a result of changes in the value of the Australian Dollar to the US Dollar, with all other variables remaining constant is as follows:

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Change in profit				
– Improvement in AUD to USD by 5%	(85,948)	(114,042)	-	-
– Decline in AUD to USD by 5%	94,995	126,047	-	-
Change in equity				
– Improvement in AUD to USD by 5%	(85,948)	(114,042)	-	-
– Decline in AUD to USD by 5%	94,995	126,047	-	-

Note 32 Change In Accounting Policy

- a The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Standards Affected	Outline of Amendment	Application date of the standard	Application date for Group
AASB 2007-3 Amendments to Australian Accounting Standards	AASB 5: Non-current Assets Held for Sale and Discontinued Operations AASB 6: Exploration for and Evaluation of Mineral AASB 102: Inventories AASB 107: Cash Flow Statements AASB 119: Employee Benefits AASB 127: Consolidated and Separate Financial Statements AASB 134: Interim Financial Reporting AASB 136: Impairment of Assets AASB 1023: General Insurance Contracts AASB 1038: Life Insurance Contracts	The disclosure requirements of AASB 114: Segment Reporting have been replaced due to the issuing of AASB 8: Segment Reporting in February 2007. These amendments will involve changes to segment reporting disclosures within the financial report. However, it is anticipated there will be no direct impact on recognition and measurement criteria amounts included in the financial report.	1 Jan 2009	1 July 2009
AASB 8 Operating Segments	AASB 114: Segment Reporting	As above.	1 Jan 2009	1 July 2009
AASB 2007-6 Amendments to Australian Accounting Standards	AASB 1: First time adoption of AIFRS AASB 101: Presentation of Financial Statements AASB 107: Cash Flow Statements AASB 111: Construction Contracts AASB 116: Property, Plant and Equipment AASB 138: Intangible Assets	The revised AASB 123: Borrowing Costs issued in June 2007 has removed the option to expense all borrowing costs. This amendment will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. However, there will be no direct impact to the amounts included in the financial group as they already capitalise borrowing costs related to qualifying assets.	1 Jan 2009	1 July 2009
AASB 123 Borrowing Costs	AASB 123: Borrowing Costs	As above.	1 Jan 2009	1 July 2009
AASB 2007-8 Amendments to Australian Accounting Standards	AASB 101: Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity.	1 Jan 2009	1 July 2009
AASB 101	AASB 101: Presentation of Financial Statements	As above.	1 Jan 2009	1 July 2009

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AASB 3	AASB 3 Business Combinations (March 2008)	Replaces AASB 3 Business Combinations (April 2007) and amends how entities account for business combinations and changes in ownership interests in subsidiaries..	1 Jan 2009	1 July 2009
AASB 127	AASB 127 Consolidated and Separate Financial Statements (March 2008)	Supersedes AASB 127 Consolidated and Separate Financial Statements (July 2004) and amends how entities account for business combinations and changes in ownership interests in subsidiaries.	1 Jan 2009	1 July 2009
AASB 2008-1 Amendments to Australian Accounting Standard	AASB 2 Share Based -Payments	Share-Based Payments: Vesting Conditions and Cancellations. AASB 2008-1 was issued after changes were made AASB 2 Share Based - Payments including clarifying that vesting conditions are service conditions and	1 Jan 2009	1 July 2009
AASB 2008-2 AASB-2 Amendments to Australian Accounting Standards	AASB 132 and AASB 101	AASB 2008-2 makes amendments to AASB 132 and AASB 101, permitting certain puttable financial instruments to be classified as equity rather than liabilities, subject to certain criteria being met	1 Jan 2009	1 July 2009
AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	[AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138, 139 and Interpretations 9 & 107].	AASB 2008-3 was issued after the AASB revised AASB 3 and AASB 127, as consequential amendments were necessary to other Australian Accounting Standards.	1 Jan 2009	1 July 2009
AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project	[AASB 5, 7, 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 & 1038].	AASB 2008-5 was issued after changes in line with the IASB annual improvements project	1 Jan 2009	1 July 2009
AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	[AASB 1 & AASB 5].	AASB 2008-6 was issued after changes in line with the IASB annual improvements project	1 Jan 2009	1 July 2009
AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	[AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136]	AASB 2008-7 was issued after changes in line with Exposure Draft ED 160 "Exposure Draft of Proposed Amendments to AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards and AASB 127 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"	1 Jan 2009	1 July 2009

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AASB 2008-8 Amendments to Australian Accounting Standards - Eligible Hedged Items	[AASB 139].	AASB 2008-8 was issued after from the issuance, by the International Accounting Standards Board in July 2008, of amendments to IAS 39 Financial Instruments: Recognition and Measurement regarding eligible hedged items.	1 Jan 2009	1 July 2009
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Note 33 Economic Dependency

A significant portion of the development and manufacture of parenteral devices is obtained under patents owned by the ultimate parent entity, Eastland Medical Systems Ltd.

Note 34 Company Details

The registered office of the company is:
Eastland Medical Systems Ltd
54 Lindsay Street
Perth Western Australia 6000