14 October, 2005

Eastland Medical Systems LTD

The Manager,
The Company Announcements Office,
Australian Stock Exchange Limited,
Level 4, 20 Bridge Street,
Sydney. N.S.W. 2000.

By e-lodgement 63 pages

Dear Sir,

NOTICE OF ANNUAL GENERAL MEETING.

In terms of ASX Listing Rules, we enclosed the following documents which are being sent to the Company's shareholders today:

1. Managing Director's Letter to Shareholders,
2. Notice of Annual General Meeting of Eastland Medical Systems Ltd to be held on 22 November, 2004 at 110.00am WST, CWA House, 1174 Hay Street, West Perth,
3. Proxy Form,
4. Explanatory Memorandum,
5. Instruction for delivery of Annual Reports, and
6. Annual Report for 2005.

An electronic version of the Annual Report is available on the Company's website at www.eastlandmedical.com.au

Yours sincerely,

T Strahan
....
T.P. Strahan.
Company Secretary.

Unit 6
680 Murray Street
West Perth
Western Australia
6005

PO Box 898
West Perth
Western Australia
6872

61 8 9481 1844
61 8 9486 4998

ACN 090 987 250

October, 2005

Eastland Medical Systems LTD

ABN 35 090 987 250

Dear Security Holder,

I am pleased to invite you to attend our Annual General Meeting. The Meeting will be held at Country Women's Association of WA (inc), CWA House, 3rd Floor, 1174 Hay Street, West Perth W.A. 6005, on Tuesday, 22 November 2005 at 11.00a.m. (WST).

Enclosed with this letter are the Notice of Meeting and Explanatory Statement detailing the business to be dealt with at the meeting, a Proxy Form and your copy of the Annual Report. For those shareholders who have already elected to have their Annual Report delivered electronically, this will be transmitted directly to your email address.

Should you be unable to attend the meeting, you are encouraged to complete the Proxy Form enclosed. The Proxy Form should be returned in the envelope provided or faxed to Advanced Share Registry Services on: (08) 9389 7811, to no later than 5.00pm on Friday, 18th November 2005.

Corporate Shareholders, unable to attend, are required to complete a "Certificate of Appointment of Corporate Representative" to enable another person to attend on their behalf. A form of this certificate may be obtained by telephoning Advanced Share Registry on (08) 9389 8033 or the Company's administration on (08) 9481 1844.

The Company will automatically mail you an Annual Report each year unless you elect otherwise. In an effort to reduce operating costs, the company wishes to provide the opportunity for shareholders who have not already selected this option to amend the current delivery of Annual Reports. Please refer to the enclosed form marked "Annual Report" to change your delivery method or enrol for email notices.

I look forward to your attendance at the meeting.

Yours sincerely,

Don O'Sullivan

Managing Director

Level 2,680 Murray Street, West Perth, Western Australia, 6005 **Telephone: (61 8) 9481 1844**

Post Office Box 898, West Perth, Western Australia 6872 **Facsimile: (61 8) 9486 4998**

NOTICE OF 2005
ANNUAL GENERAL MEETING.

Eastland Medical Systems LTD

ABN. 35 090 987 250

Notice is given that the Annual General Meeting of the Shareholders of *Eastland Medical Systems Ltd* ("Company") will be held in the Board Room, 3rd Floor, CWA House, Country Women's Association, 1174 Hay Street, West Perth WA on Tuesday 22 November, 2005 at 11.00a.m. (WST)

AGENDA

Ordinary Business

1 Annual financial report and director's and auditor's reports

To receive and consider the annual financial report of the Company for the year ended 30 June 2005, together with the directors' report and auditor's report

2 Resolution 1- Remuneration Report

To consider, and if thought fit, pass the following advisory only resolution:

"That the remuneration report as set out in the Annual Report for the financial year ended 30 June 2005 be adopted"

3 Resolution 2 -Re-election of Director- Mr. Trevor Strahan

To consider, and if thought fit, pass the following as an ordinary resolution:

"That Mr. Trevor Strahan, a Director retiring by rotation in accordance with the clause 3.6 of the Company's Constitution, and being eligible, be re-elected as a Director of the Company."

Special Business

4 Resolution 3 –Non-Executive Directors' maximum aggregate remuneration.

To consider, and if thought fit, pass the following as an ordinary resolution:

"That, for the purposes of Listing Rule 10.17 of the Australian Stock Exchange Limited Listing Rules and in accordance with clause 10.2 of the Company's Constitution the total maximum aggregate remuneration of the Non- Executive Directors be increased by $50,000 from $25,000 to a maximum aggregate amount of $75,000 for each financial year commencing from 1 July 2005, to be divided between those Directors in such proportions as the Directors see fit."

Voting Exclusion:
The Company will disregard any votes cast on this resolution by:

- any Director of the Company, and
- any associates of any one or more of the Directors of the Company.

However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; and

it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Level 2 680 Murray Street, West Perth, Western Australia, 6005

Telephone: (61 8) 9481 1844

Post Office Box 898, West Perth, Western Australia 6872 **Facsimile: (61 8) 9486 4998**

5 Resolution -4 Approval of Employee Share Option Plan

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

"That, for the purposes of and in accordance with the Australian Stock Exchange Limited Listing Rule 7.2 Exception 9, and for all other purposes, any issue of securities made to participants under the Eastland Medical Systems Ltd Employee Share Option Plan, the terms and conditions of which are summarised in the Explanatory Memorandum accompanying the notice of Annual General Meeting, be approved as an exception to Listing Rule 7.2."

Voting Exclusion:
The Company will disregard any votes cast on this resolution by:

- any Director of the Company, and
- any associates of any one or more of the Directors of the Company.

However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; and
- it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

DETERMINATION OF VOTING ENTITLEMENTS

In accordance with regulation 7.11 of the Corporations Regulations 2001 [Cwlth] for the purposes of the meeting, persons holding shares at 18 November, 2005 at 5.00 p.m. (WST) will be treated as shareholders. This means that if you are not the registered holder of a relevant share at that time you will not be entitled to attend and vote in respect to that share at the Annual General Meeting.

Dated: this 12th day of October 2005.

By Order of the Board,

T Strahan

....

Trevor Strahan

Company Secretary

A member is entitled to attend and vote, or to appoint a proxy to attend and vote in his/her stead. That person need not be a member of the company, but should be a natural person over the age of 18 years. Forms must be lodged at the registered office not less than 48 hours before the timing of the meeting.

Form of Proxy

2005 Annual General Meeting

Eastland Medical Systems LTD

ABN 35 090 987 250

I/We ....of...,

being a member/s of Eastland Medical Systems Ltd, and entitled to attend and vote hereby appoint:

.... of .... or in his/her absence,

☐ The Chairman of the Meeting (mark with an 'X')

the Chairman of the Meeting, as my/our proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held at 11.00am (WST) on Tuesday 22nd November, 2005 or at any adjournment of that meeting.

Individual /Security holder 1 Director	Security holder 2 Director/Secretary	
		this day of 2005

Please sign here

Unless otherwise instructed the proxy will vote as he or she thinks fit, or abstain from voting. Should the member wish to direct the proxy how to vote, the following should be completed.

☞ ☐ IMPORTANT: For Item 4.

If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you do not wish to direct your proxy how to vote on Item 4 below, please place a mark in this box. By marking this box you acknowledge the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of this item and votes cast by him, other than as proxy holder, would be disregarded because of those interests. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Item 4 and your vote will not be counted in computing the required majority if a poll is called on this item. The Chairman has an interest in the outcome of Item 4. The Chairman of the Meeting intends to vote undirected proxies in favour of Item 4.

Ordinary Business:	**For**	**Against**	**Abstain**
Resolution 1. Adoption of the Remuneration Report. *The vote on this resolution is advisory only and does not bind the Company or its directors*	☐	☐	☐
Resolution 2. Re-election of Mr.Trevor Strahan as a director	☐	☐	☐
Special Business:			
Resolution 3. Non-Executive Director's maximum aggregate remuneration	☐	☐	☐
Resolution 4. Eastland Employee Share Option Plan	☐	☐	☐

Appointing a second Proxy.
I/We wish to appoint a second proxy

☐ Mark with an 'X' if you wish to appoint a second proxy AND ☐ % OR ☐ State the percentage of your voting rights of the number of securities for this Proxy Form.

Level 2,680 Murray Street, West Perth, Western Australia, 6005 **Telephone: (61 8) 9481 1844**

Post Office Box 898, West Perth, Western Australia 6872 **Facsimile: (61 8) 9486 4998**

Instructions to complete this Proxy Form

1	**Your Name and Address** This is your name and address as it appears on the share register of Eastland Medical Systems Ltd. If this information is incorrect, please mark the box and make the correction on the form. Security holders sponsored by a broker should advise their broker of any changes. **Please note, you cannot change ownership of your shares using this form.**
2	**Appointment of a Proxy** If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting, please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy and vote on your behalf. A proxy may be an individual or a corporation, but need not be a security holder of Eastland Medical Systems Ltd.
3	**Votes on Items of Business** You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy will vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.
4	**Appointment of a Second Proxy** If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the share registry of Eastland Medical Systems Ltd or you may copy this form. When more than one proxy is appointed, neither proxy is entitled to vote on a show of hands. To appoint a second proxy you must: (a) indicate that you wish to appoint a second proxy by marking the form. (b) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointment does not specify the percentage or number of the shareholders' voting rights each proxy may exercise half the votes (c) return both forms together in the same envelope.
5	**Signing Instructions and Authorised Signature(s)** You must sign this form as follows in the spaces provided:

	Joint Holding :	where the holding is in more than one name all of the holders must sign
	Power of Attorney:	if signed under a Power of Attorney, this document must have already been lodged with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.
	Companies:	a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. A sole Director of a corporation without a Company Secretary can sign, pursuant to s127 of the Corporations Act 2001. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the share registry or Eastland Medical Systems Ltd administration.

Lodgement of Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below not later than 5.00 pm 18 November, 2005 being 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged using the reply paid envelope or:
by posting, or

facsimile to Eastland Medical Systems Ltd share registry at the addresses opposite:

Eastland Medical Systems Ltd share registry:
Advanced Share Registry Services
PO Box 1156
Nedlands. W.A. 6909 Australia

Facsimile 61 8 9389 7871

EXPLANATORY MEMORANDUM
Annual General Meeting, 22 November 2005

The purpose of this Explanatory Memorandum (which is included in and forms part of the Notice of Annual General Meting dated 12 October 2005) has been prepared for the information of shareholders in relation to the business to be conducted at the Company's 2005 Annual General Meeting to be held on Tuesday 22 November 2005.
The Explanatory Memorandum provides shareholders with information that is reasonably required by shareholders to decide how to vote upon the resolutions. The Directors recommend that shareholders read this document before determining their vote on these resolutions. If you have any questions regarding the matters set out in this Explanatory Memorandum or the preceding notice, please contact the Company, your financial advisor, stockbroker or solicitor.

Ordinary Business.

Financial Statements and Reports.

Pursuant to the Corporations Act, the directors of a Public Company that is required to hold an Annual General Meeting must table the financial statements and reports of the Company (including the Directors' Report, Directors' Declaration and Auditor's Report) for the previous year before the members at that Annual General Meeting.

Shareholders have been provided with all relevant information concerning the Company's financial statements, Directors' Report and Auditor's Report in the Annual Report of the Company for the year ended 30 June 2005. A copy of the Annual Report has been forwarded to each shareholder other than those shareholders who have previously notified the Company that they elect not to receive the Annual Report, whether in paper or electronic form. Any shareholder who has made this election and now wishes to receive a paper or electronic copy of the Annual Report should contact the Company's office by phone on 08 9481 1844 to arrange receipt. The Annual report can also be viewed, printed and downloaded from the Company's website www.eastlandmedical.com.au. A copy of the financial statements, Directors' Report, Directors' Declaration and the Auditor's Report will also be tabled at this meeting.

Shareholders should note that the sole purpose of tabling the financial statements and the reports of the Company at the Annual General Meeting is to provide the shareholders with the opportunity to be able to ask questions or discuss matters arising from the financial statements or reports at the meeting. It is not the purpose of the meeting that the financial statements or the reports be accepted, rejected or modified in any way. Further, as it is not required by the Corporations Act, no resolution to adopt, receive or consider the Company's financial statements or the reports (other than the Remuneration Report) will be put to the shareholders at the meeting.

Members will be given a reasonable opportunity at the meeting to ask questions and make comments on the financial statements and the reports. The Company's auditor will be available to receive questions and comments from shareholders about the preparation and content of the Auditor's Report and the conduct of the audit.

Resolution 1: Remuneration Report.

As a result of the CLERP 9 amendments to the Corporations Act 2001, all listed Companies now require a resolution that must be put to shareholders that the Remuneration Report be adopted. The Company's Remuneration Report which forms part of the Directors' Report is set out on pages 14 & 15 of the Annual Report and reports on the remuneration arrangements in place for executive directors, non-executive directors and specified executives.

The Corporations Act expressly provides that vote on this resolution is advisory only and does not bind the Directors or the Company.

Shareholders attending the Annual General Meeting will be given reasonable opportunity to ask questions about, or make comments on the Remuneration Report.

Resolution 2: Re-election of Director.

The Company's Constitution Clause 3.6 requires one third (or the nearest number) of the Directors (excluding Directors appointed by the Board and the Managing Director) to retire at the annual general meeting of the Company. Listing Rule 14.4 also requires Directors to retire at the third annual general meeting following their last appointment. Clause 3.6 of the Company's Constitution and ASX Listing Rule 14.4 require a Director appointed by the Board during the year to retire at the next annual general meeting after their appointment. Any Directors who retire in accordance with Clauses 3.6 are eligible for re-election at the annual general meeting.

Re-election of Mr. Trevor Strahan.

Mr. Trevor Strahan retires in accordance with Clause 3.6 of the Company's Constitution and offers himself for re-election.

Mr Strahan was appointed a director of Eastland Medical Systems Ltd on 20 December 2002 and this was ratified at the AGM held on 27 November, 2003. Mr Strahan has been with the Company prior to listing when he consulted to the Company to assist in the preparation for the Listing of Eastland on the ASX and more recently as Company Secretary. He is an Associate Member of the Institute of Management Consultants and a Commissioner for Declarations.

The Board recommends that shareholders vote in favour of Mr. Strahan's re-election.

Special Business.

Resolution 3: Non-Executive Directors' Maximum Aggregate Remuneration.

The Company currently has only one Non-Executive Director, but in line with good Corporate Governance Practices is looking to increase this number. It is considered appropriate that the maximum aggregate amount of remuneration for non-executive directors be increased to allow for the appointment of additional directors to the board and for flexibility in remuneration in the future.

The resolution would give effect to a proposed increase by $50,000 the maximum aggregate amount of remuneration, which may be paid to non-executive directors of the Company from $25,000 per annum to a maximum aggregate of $75,000 per annum for each financial year commencing from 1 July, 2005, to be divided between those Directors in such proportions as the Directors see fit.

Resolution 4: Approval of Employee Share Option Plan

4.1 Overview

The Board seeks shareholder approval for the introduction of a new incentive *"Employee Share Option Plan"* **(Plan)** under which Executive Directors, Group Executives, and Employees **(Employees)** may be invited to participate in the Plan to be issued with options by the board, which may then be exercised to acquire ordinary shares in the capital of the Company.

The Board believes the introduction of the Plan is in the best interests of the Company. The purpose of the Plan is to better align the interests of shareholders and employees by linking the rewards to employees to the long term success of the Company. The Plan will facilitate a comprehensive strategy for the Company. If approved by shareholders, the Board believes the Plan will:

- create a stronger link between the shareholders, employees and the Company and the Company's overall performance, and
- increase productivity through increased participation in the Company by the employees as shareholders.

4.2 Regulatory requirements

Approval for the issue of options under the Plan is sought by way of an ordinary resolution to satisfy the requirements of Australian Stock Exchange Limited, Listing Rule 7.2, exception 9. Listing Rule 7.2 is an exception to the requirement in Listing Rule 7.1 that the Company must not, without the approval of its ordinary shareholders, issue equity securities in any 12 month period that amount to more than 15% of its ordinary securities, unless an exception applies in Listing Rule 7.2.

4.3 Background and Implementation

Eastland has now been operating as a public company for nearly four years. In that period the Company has expanded its operations both in the domestic and international arena, to include both manufacturing and distribution capabilities. These strategic developments have set the platform for the company to become a strong and successful international medical device company with a focus on safer health care.

Success in these **activities is highly dependent upon** a small, experienced and highly motivated employee team. There is also currently a highly competitive market for experienced people in the Australian medical manufacturing and distribution industry. In order to round out the remuneration package of the company's senior executives and to enable key selected employees within the Group's Australian operations, to participate more directly in the future growth of the company. The company proposes to introduce this *"Employee Share Option Plan"* under which a limited number of share options would be issued to those selected employees.

To provide shareholders with further insight into the planned application of the Plan, it is anticipated that the first issue of options under the Plan will occur in this financial year. The Company expects that the following key financial terms will be applied to the first issue of options:

- *Exercise Price.* The then current share price of the Company, plus 10%;
- *Exercise Period.* One third of each grant of options will be exercisable after one year, one third after two years, and one third after three years, with all options having to be exercised within four years of their date of grant.

The intent of the exercise price terms is to allow the option holders to share, with shareholders, any growth in the share price beyond a reasonable threshold, that is, 10% above the price at the time of option issue. The Company does not consider that a meaningful comparative market hurdle is available for a company of Eastland's status at this time. The exercise periods selected have been structured to allow employees to look forward to a reasonable mix of relative short term benefits (say, after one to two years), but also to encourage them to stay with the company to gain benefits over a longer period (two and three years).

Full details of all options issued and outstanding in each financial year are disclosed in the Remuneration Report in the respective Annual Report.

4.4 Regulatory information

Below is a summary of the structural terms of the Plan. This information is provided for the benefit of shareholders and in accordance with the requirements outlined in section 7.2. of the ASX Listing Rules. As the Plan is a new plan, no options have been issued pursuant to the Plan thus far.

(a) Operation of Plan

At the discretion of the Board options are to be issued under the Plan either free or for a nominal consideration. The company may either issue new shares or buy shares on the market in order to satisfy its obligations to issue shares. Executive Directors may be participants in the Plan in the future and any allotment of securities to the Directors will be subject to shareholder approval in terms of Listing Rules 10.14 and 10.15. Non-executive Directors are not eligible to participate in the Plan.

To determine who is eligible to participate in the plan, the Board may consider, amongst other things, the position held by the employee, their length of service and the contribution made to the Company. Any offer will be personal and non assignable to the Employee and will be registered in the name of the Employee, but will remain subject to the restrictions on exercise as specified by the Board until the Employees become entitled to exercise the Options under the Plan

Each Option entitles the holder to subscribe for, and be issued, one ordinary fully paid share at the Exercise Price. The number of options to be issued under the plan shall not exceed 5% of the Company's issued capital. The Options will not be quoted on the ASX and Shares issued on the exercise of Options will rank equally with all existing Shares of that class from date of allotment.

The exercise price of a share to be issued on the exercise of an option will be the price as determined by the Board at the date of granting of the option as set out above.

The exercise period for the options will be determined by the Board at the time of issue. Options will lapse if not exercised after four years from vesting or where an employee has acted fraudulently, dishonestly or in breach of their duty to the Company. Options will lapse upon the cessation of the employee's employment. How-ever the Board has discretion to extend the period within which the options may be exercised if warranted by the circumstances.

In special circumstances (including if an Employee dies, becomes totally and permanently disabled [in the opinion of the Board], reaches normal retirement age,) the Rules permit the Employee (or his/her legal personal representative (as the case may be)) to exercise under the Plan all of the Employees Options that remain outstanding.

A Participant may also exercise their options in the Plan in the event of a takeover, scheme of arrangement or change of control in respect of the Company. A Participant may not dispose of, transfer, charge or encumber Plan options unless determined otherwise by the Board. Although an option holder may transfer the options to a bidder during a takeover period.

The options do not entitle the holders to participate in rights issues or bonus issues.

The allotment of employee Options under this Plan will only apply to the Executives, Executive Directors and Employees of the Australian domiciled entity and subsidiaries.

(b) Administration of Plan

The Board may make regulations for the operation of the Plan.

The Company will pay all expenses, costs and charges incurred in operating the Plan. The Employees will meet all outgoings and expenses in exercising options, selling shares or otherwise dealing with his or her options and the Company is not responsible for any duties or taxes which may become payable in connection with the issue and allotment of Shares pursuant to an exercise of the Options or any other dealings with the Options or Shares.

(c) Termination or suspension of Plan

The Board may terminate or suspend the operation of the Plan at any time, by resolution of the Board without prejudicing the rights of Participants holding Options at that time. If the Plan is terminated due to the Options being "Out of the Money", all relevant requirements will be waived and Participants will be allowed to exercise their remaining options.

In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any options, the rights of the option holder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

4.5 Directors' recommendation

As Mr Francis (Don) O'Sullivan, the Managing Director, Mr David Whitelaw, Mr Douglas Sims and Mr Trevor Strahan, Executive Directors have an interest in the outcome of resolution 4; they do not consider it appropriate to make a recommendation with respect to this resolution. Mr John Picton-Warlow (the non-executive Director) recommends that shareholders vote in favour of resolution 4.

4.6 Restrictions on voting for the Executive Directors

In accordance with the Voting Exclusion Statement, the Company will disregard votes cast by Mr Francis (Don) O'Sullivan, the Managing Director and Mr David Whitelaw, Mr Douglas Sims and Mr Trevor Strahan Executive Directors of the Company and their associates in relation to resolution 4.

Voting Exclusion:
The Company will disregard any votes cast on this resolution by:

- any Director of the Company, and
- any associates of any one or more of the Directors of the Company.

However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; and
- it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Definitions.

In this Explanatory Memorandum the following terms have these meanings:

ASX	means the stock exchange operated by Australian Stock Exchange Limited
Board	means the Board of Directors of the Company
Company	means Eastland Medical Systems Ltd (ABN 35 090 987 250)
Director	means a Directors of the Company
Employee	means an Executive of the parent Company or any of the Australian Subsidiaries, an Executive Director or an employee of the parent or any Australian Subsidiary
Explanatory Memorandum	means this memorandum
Listing Rules	means the listing rules of the Australian Stock Exchange Limited

Annual Report

Eastland Medical Systems LTD

ABN 35 090 987 250

Eastland Medical Systems Ltd wishes to provide the opportunity for Security Holders to amend current delivery of Annual Reports.

If you are happy with your existing choice for the receipt of the Annual Report, you do not need to do anything.

However, if you are interested in the options below, please mark the appropriate item and fax your form to Ms Janet Baker on 08 9486 4998 or use the internet options.

1. CANCEL DELIVERY OF ANNUAL REPORT

   The Company will automatically mail you an Annual Report unless you elect otherwise. If you do not want the Annual Report delivered to you at all, you can request this by placing a cross in the box

   ☐

2. **Electronic Version of Annual Reports (PDF Format)**
   Eastland Medical Systems Ltd would like to offer our shareholders an email service for Eastland's Annual Reports. Should you wish to receive your Annual Report electronically, please provide your email details: (Please Print?)

   ....

   OR: Respond on our website www.eastlandmedical.com.au "Contact Us" Page with subject line **"ANNUAL REPORT" in the Query Section.**

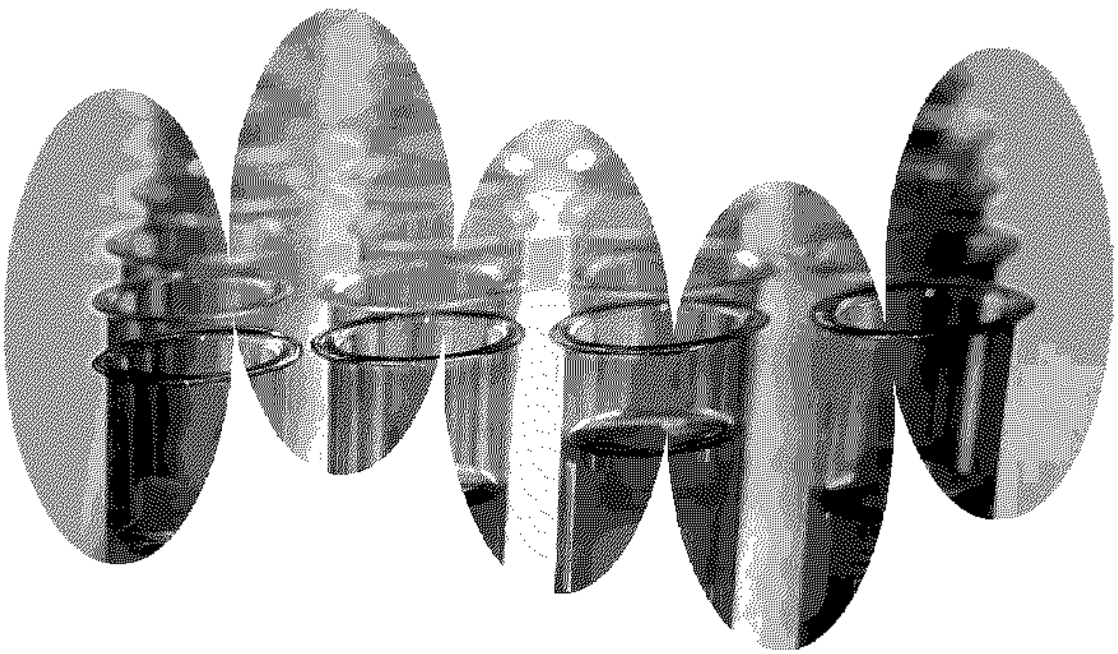
3. **E-Mail Service for Announcements and other Matters of Interest**
   Shareholders are advised that an e-mail service is also available for Announcements and other matters of interest. Should you wish to participate in this service please provide your email details: (Please Print)

   ....

   OR: Respond on our website: www.eastlandmedical.com.au "Contact Us" Page with subject line **"ANNOUNCEMENTS" in the Query Section.**

4. **Advanced Share Registry - Shareholder Site** www.asrshareholders.com
   Advanced Share Registry has developed a website for shareholders to view their holdings with the Registry. A link has also been established from the Eastland Website - Investors Page www.eastlandmedical.com.au directly to the new website. Shareholders will now be able to "Click and View" their current holdings. The website will be available from 8.00am to 6.00pm (WST) Shareholders will need either HIN or SRN to logon and will be asked to accept the terms and conditions at access to the site.

Eastland Medical Systems Ltd



ANNUAL REPORT 2005

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Corporate Directory

EASTLAND MEDICAL SYSTEMS LTD

CORPORATE DIRECTORY

2005

Parent Company

DIRECTORS	MR DONALD O'SULLIVAN MR JOHN PICTON-WARLOW MR DOUGLAS SIMS MR TREVOR STRAHAN MR DAVID WHITELAW	
COMPANY SECRETARY	MR TREVOR STRAHAN	
MANAGEMENT	MR DONALD O'SULLIVAN MR DOUGLAS SIMS MR TREVOR STRAHAN MR DAVID WHITELAW MR PETER TIEDE M/S JANET BAKER	CHIEF EXECUTIVE OFFICER PRODUCT DEVELOPMENT FINANCIAL CONTROLLER MARKETING & SALES GROUP ACCOUNTANT OFFICE MANAGER
REGISTERED OFFICE	EASTLAND MEDICAL SYSTEMS LTD ABN 35 090 987 250 LEVEL 2, 680 MURRAY STREET WEST PERTH. W.A. 6005 TELEPHONE FACSIMILE EMAIL WEBSITE	 PO Box 898 West Perth WA 6872 (08) 9481 1844 (08) 9486 4998 eastland@eastlandmedical.com.au www.eastlandmedical.com.au
SHARE REGISTRY	ADVANCED SHARE REGISTRY SERVICES 110 STIRLING HIGHWAY NEDLANDS. W.A. 6009 TELEPHONE FACSIMILE	 PO Box 1156 Nedlands. WA 6909 (08) 9389 8033 (08) 9389 7871
AUDITORS	BENTLEY'S MRI LEVEL 40 BANKWEST TOWER 108 ST GEORGES TERRACE PERTH. W.A. 6000 TELEPHONE	 (08) 9320 2888
SOLICITORS	GADENS LAWYERS LEVEL 31, ST MARTINS TOWER 44 ST GEORGES TERRACE PERTH. W.A. 6000 TELEPHONE FACSIMILE	 (08) 9220 4900 (08) 9220 4901
BANKERS	WESTPAC BANKING CORPORATION MIDDLE MARKETS LEVEL 13, 130 PITT STREET SYDNEY. N.S.W. 2000	 (02) 9220 5143
HOME STOCK EXCHANGE	AUSTRALIAN STOCK EXCHANGE LTD EXCHANGE PLAZA 2 THE ESPLANADE PERTH. W.A. 6000	
	LISTING CODE : ORDINARY SHARES ORDINARY OPTIONS	EMS EMSO

WHOLLY OWNED SUBSIDARY

CORPORATE
DIRECTORY

Portland Surgical Products Pty Ltd

2005

DIRECTORS	MR DONALD O'SULLIVAN MR JOHN PICTON-WARLOW MR DOUGLAS SIMS MR DAVID WHITELAW	
COMPANY SECRETARY	MR PETER TIEDE	
CHIEF EXECUTIVE OFFICER	MR PHILIP BUNCE	
FACTORY MANAGER	MR ALISTER COPLEY	
FINANCIAL CONTROLLER	MR PETER TIEDE	
REGISTERED OFFICE	LEVEL 2, 680 MURRAY STREET WEST PERTH. W.A. 6005	
PLACE OF BUSINESS	PORTLAND SURGICAL PRODUCTS P/L ACN. 005 729 895 9-15 BEVERLEY STREET PORTLAND VICTORIA 3305 TELEPHONE FACSIMILIE	 (03) 5523 3000 (03) 5523 5500
AUDITORS	BENTLEY'S MRI LEVEL 40 BANKWEST TOWER 108 ST GEORGES TERRACE PERTH. W.A. 6000 TELEPHONE	 (08) 9320 2888
SOLICITORS	FETTER GDANSKI LEVEL 11, 555 LONSDALE STREET MELBOURNE. VIC 3000 TELEPHONE	 (03) 9642 5011
BANKERS	WESTPAC BANKING CO, PERCEY STREET PORTLAND. VIC 3305	

WHOLLY OWNED SUBSIDARY

CORPORATE
DIRECTORY

Medical Industries Australia Pty Ltd

2005

DIRECTORS	MR DONALD O'SULLIVAN MR EDWARD HAWTON MR DOUGLAS SIMS MR DAVID WHITELAW	
COMPANY SECRETARY	MR PETER TIEDE	
MANAGING DIRECTOR	MR EDWARD HAWTON	
FINANCIAL CONTROLLER	MR RUDHIL BHINDI	
REGISTERED OFFICE	LEVEL 2, 680 MURRAY STREET WEST PERTH. W.A. 6005	
PLACE OF BUSINESS	MEDICAL INDUSTRIES AUSTRALIA P/L ACN. 100 452 140 UNIT C-3, 16 MARS ROAD LANE COVE N.S.W. 2066 TELEPHONE FACSIMILIE	 (02) 9490 6200 (02) 9490 6298
AUDITORS	BENTLEY'S MRI LEVEL 40 BANKWEST TOWER 108 ST GEORGES TERRACE PERTH. W.A. 6000 TELEPHONE	 (08) 9320 2888
BANKERS	WESTPAC BANKING CO MIDDLE MARKETS LEVEL 13, 130 PITT STREET SYDNEY. N.S.W. 2000 TELEPHONE	 (02) 9220 5143

WHOLLY OWNED SUBSIDARY

CORPORATE
DIRECTORY

Eastland Medical Research Pty Ltd

2005

DIRECTORS	MR DONALD O'SULLIVAN MR JOHN PICTON-WARLOW MR DOUGLAS SIMS MR DAVID WHITELAW	
COMPANY SECRETARY	MR TREVOR STRAHAN MR PETER TIEDE	
REGISTERED OFFICE	LEVEL 2 680 MURRAY STREET WEST PERTH. W.A. 6005	
PLACE OF BUSINESS	EASTLAND MEDICAL RESEARCH PTY LTD ACN. 092 990 200 LEVEL 2, 680 MURRAY STREET, WEST PERTH. W.A. 6005 TELEPHONE FACSIMILIE	 (08) 9481 1844 (08) 9486 4998
AUDITORS	BENTLEY'S MRI LEVEL 40 BANKWEST TOWER 108 ST GEORGES TERRACE PERTH. W.A. 6000 TELEPHONE	 (08) 9320 2888
BANKERS	WESTPAC BANKING CO MIDDLE MARKETS LEVEL 13, 130 PITT STREET SYDNEY. N.S.W. 2000 TELEPHONE	 (02) 9220 5143

Letter from our Managing Director

Fellow Shareholders,

On behalf of the directors of Eastland Medical Systems Ltd, I am pleased to present the Annual Report for the year ended 30 June 2005.

Since listing as a Public Company, Eastland has been expanding rapidly – based on sound business principles, building a solid platform for future growth. Our global objective is to create a strong and successful international medical device company for our shareholders and to become global leaders with a focus on safer healthcare.

In terms of progress towards meeting these objectives, 2005 has been an excellent year for our Company.

The completion of phase 1 of our business plan in 2004 saw Eastland become established in the Australian health care market as a developer, manufacturer and supplier of medical devices. Consolidation of this position over the past 12 months has delivered continued solid revenue growth from our Australian operations increasing by 56.4% to $8,297,578.

Our domestic focus during the year has been the restructuring of Eastland's Sydney based distribution business, Medical Industries Australia Pty Ltd (MIA) and the relocation to Lane Cove. This modern distribution centre not only positions MIA for ongoing domestic growth, but also provides a platform for Eastland's international supply chain infrastructure.

Eastland's manufacturing business, Portland Surgical Products has refocused on its traditional strengths as a manufacturer and supplier of specialty hypodermic needles and medical devices. This has culminated in the winning of a five year supply contract worth in excess of $5million. This new product range also has significant potential to generate international sales.

Over the coming year Eastland's domestic operations will be strengthened and expanded through further strategic acquisitions combined with ongoing organic growth.

In 2005 Eastland continued to implement the second phase of the strategic plan to develop an integrated worldwide network of subsidiaries and associate companies to commercialise, market and distribute the Eastland Group's range of technology and products.

Eastland is now a major shareholder of UK based International Medical Devices plc (IMD). IMD is listed on the Alternative Investment Market (AIM) and provides Eastland shareholders not only with an extremely valuable asset, but also with a rapid path to entry for the company's technology and products into the large and lucrative EC market. IMD has already concluded its first acquisition of "Meddis" a successful UK medical device company.

Eastland Medical Systems South Africa (EMSSA) was incorporated in South Africa during 2005. EMSSA has been successful in securing a highly successful, influential and experienced Board to manage and develop the company's interests in Sub-Saharan Africa. Eastland's position as a major shareholder in "Health In Form" a South African medical products distributor, has created the foundation to rapidly build the company's presence in this marketplace over the coming year. This will be supported and complimented through the acquisition of "Elite Surgical Supplies" which will provide a world class medical device manufacturing base for both local and international markets.

The coming 12 months will be one of significant growth as the synergies created through our international network begin to deliver significant revenues and operating efficiencies.

I wish to thank all our shareholders for your continued support.

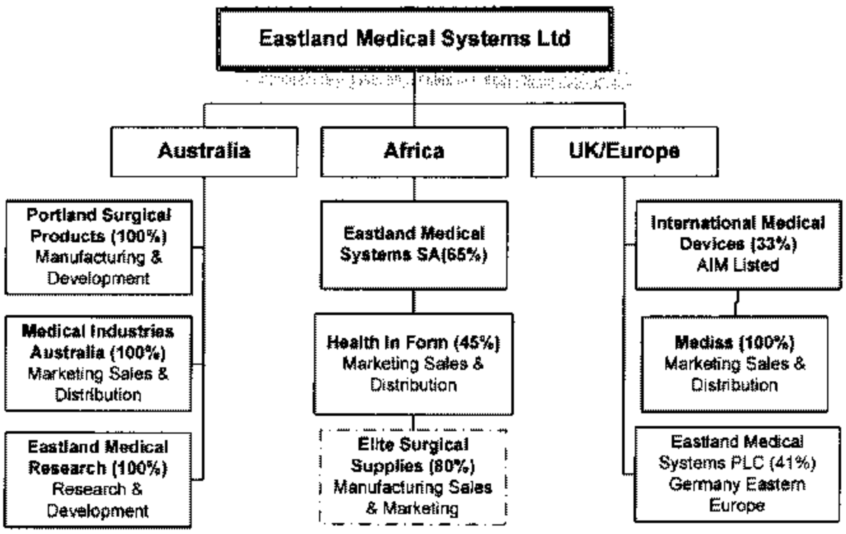
....

Donald O'Sullivan.
Managing Director
Eastland Medical Systems Ltd.

Operations Review

COMPANY STRUCTURE

Eastland Group subsidiaries and associated entities as at 28 September 2005 are;



The past year has been one both of consolidation and growth for the company. We now have a dedicated team of approximately 44 staff in our operations in Sydney, Portland and Perth, all committed to our vision for Eastland's future. This number is up from two staff when we listed in 2002.

Having successfully put in place the initial infrastructure and business base in Manufacturing, Sales, Marketing, Distribution and R&D the company has made significant steps towards implementing the second phase of our vision to create a strong and successful international medical device company.

AUSTRALIA

Much effort has been directed at the integration and development of the business units at Portland Surgical Products and Medical Industries Australia. The coming year will deliver continued strengthening revenues and profit growth from our Australian operations.

Medical Industries Australia Pty Ltd (MIA)

MIA forms the cornerstone of Eastland's Australian and International Marketing and Distribution Strategy.

MIA relocated to Lane Cove, Sydney NSW to create an expanded Marketing and Distribution Centre co-ordinating both national and international distribution and effectively doubling existing warehouse capacity. The new facility is pivotal to ensuring effective, rapid delivery of the entire product range, not only within Australia but also in developing Eastland's markets in Europe and South Africa.

The new premises also incorporate a 300 m^2 showroom where both buyers and medical staff can view the entire product range on display prior to purchase.

Marketing

This year has seen new focus in specific target markets, most notably in "Women's Health" and the most rapidly growing segment in the health care market, "Aged Care." Product ranges have been reviewed and expanded including the introduction of a comprehensive range of hospital furniture which is providing a significant growth opportunity.

Personnel

The MIA team has been expanded and strengthened. The appointment of Mr Ed Hawton as Managing Director brings a wealth of experience in both senior management and of the healthcare market having more than 20 years experience in this role for other major Australian medical device companies.

The appointment of new sales people has added to the effectiveness and presence of the team in NSW, and also seen MIA move directly into the Victorian market creating early successes, including a single order of more than $220,000.

MIA has appointed a Business Development Manager specifically responsible for the management of key accounts and interstate distributors to improve service levels and respond quickly to market need.

Operations Review

Portland Surgical Products

The refocusing of Portland on its traditional strengths in the areas of manufacturing and supply of specialty hypodermic needles and medical devices has yielded results, with the recent signing of a 5 year, $5 million contract with Sutherland Medical. The contract is for the manufacture and supply of a range of transfusion sets with the potential for international earnings.

Sales of Portland's major product range, the Underwater Chest Drainage Systems have remained stable throughout the year. CE marking (European Regulatory Approval) is to be sought for this product and will provide future opportunity for significant international sales.

The Portland facility has also enabled some external manufacture of MIA products to be brought in-house, delivering additional profit margins to the Group's overall operations.

Personnel

The appointment of Mr Alister Copley to the role of Factory Manager has greatly strengthened the team skill and experience at Portland.

INTERNATIONAL

Over the last 12 months Eastland has embarked upon its strategy to extend the potential market for its technology and products to major international markets.

Our strategic focus is on building a decentralised company with self sufficient entities acting as independent profit centres within the Eastland Group. Central to this strategy is ensuring that each entity adds to the overall strength of the Group, and by being part of our Group is able to grow more rapidly and achieve greater cost efficiencies. This strategy has proven to be effective and is providing the platform for Eastland's future growth.

To effectively penetrate these growing markets, Eastland has developed strategic alliances and is acquiring companies with proven expertise in the areas of medical research, development, manufacturing, marketing and distribution. Using this strategy, we are able to acquire a wealth of human capital, expertise, infrastructure and cultural knowledge. Combined, they give us a strong local competitive advantage in these diverse markets.

In the coming year we expect to realise the vision of Eastland becoming a truly global participant in the medical products market place, not limited by the size of the Australian market.

UK/Europe

The EC market now numbers 475 million people.

Eastland has concluded the acquisition of 33% of the equity in The Alternate Investment Market (AIM) listed company International Medical Devices plc (IMD). This acquisition is not only an extremely valuable asset but also provides the vehicle to move forward rapidly to introduce Eastland's wide range of medical products and devices to the EC market.
IMD has already concluded its first acquisition of UK medical device company "Meddis." With an already established presence "Meddis" is well placed to supply the Group's products to the UK market. Additionally "Meddis" has proprietary products which can be reciprocally marketed in Australia through the Eastland Group's distribution network.

This combined with the proposed Berlin based Joint venture in the State of Brandenburg Germany will provide the basis to create an effective sales and distribution network across Europe, supported by significant manufacturing, R&D and regulatory affairs resources.

South Africa

Eastland Medical Systems SA (EMSSA) was incorporated in South Africa during 2005.

There are over 460 million people in Sub-Saharan Africa who are the largest recipients of international aid in the world. The urgent need for safe medical products throughout Sub-Saharan Africa is well known. With local operations Eastland is ideally placed to maximise this opportunity to market our safe devices and our extensive range of safe medical products.

EMSSA has been successful in securing a high profile, influential and experienced Board to manage and develop the company's interests in Sub-Saharan Africa. Mr David Anderson the Managing Director is joined as Executive Chairman by Dr Diliza Mji who will also take an active role in establishing both EMSSA and Eastland products in the African Market. He is a highly regarded Medical Surgeon and leading South African businessman. The former Chairman of the South Africa Industrial Development Corporation "IDC" he served on a number of Boards including ARMSCOR and Telkom SA. He has held the notable positions of Deputy Chairman of British Aerospace SA and Trustee of the National Empowerment Group.

Dr Mji is joined by Dr I Kwame Amuah as a non-executive director of EMSSA whose company has also become an investor in EMSSA. Dr Amuah is the Son In Law of Mr Nelson Mandela and has wide experience in business and international affairs. Dr Amuah was special advisor to the Minister for Science and Technology and represented the Govt of South Africa on the United Nations sponsored conferences and served on the United Nations technical and scientific committee.

Operations Review

With the 25% investment of Dr Mji and Dr Amuah in EMSSA, EMSSA qualifies under the "South African Black Empowerment Group Economic Partner Participation" (BEE) rules giving the company considerable advantage in the tendering process where up to 30% price advantage can be achieved over non- qualifying BEE registered enterprises.
During the year Eastland took a position as a major shareholder in "Health In Form" a South African medical products distributor. This has created the foundation to rapidly build the company's presence in this marketplace over the coming year.

The growth of EMSSA will be supported and complimented through the forthcoming completion of the acquisition of 80% of the equity in Elite Surgical Supplies (Pty) Ltd a CE (European) accredited specialist medical device manufacturer producing a range of leading-edge arthroplasty and specialist orthopaedic devices. Elite has ISO 9001 accreditation and a modern CAD/CAM design centre as well as a specialised general machine shop with lathes, milling machines and sophisticated instrument manufacturing capabilities staffed by a highly skilled technical team. Elite's class 10000 clean air assemblies and packaging room has a surface area of over 200m^2 and is currently ear marked as an integral part of the Eastland PAP grinding technology.

Elite will immediately provide a world class medical device manufacturing base for specialist arthroplasty and other medical devices both locally and to Eastland's international markets.

NEW PRODUCT DEVELOPMENT

Precision Angular Presentation (PAP) Technology

During the year significant time and resources have been committed in progressing development of our revolutionary PAP grinding technology. After having validated the technology and demonstrated its underlying value, it was determined that the initial platform chosen was not optimal to deliver a final commercial production unit.

This delay in bringing PAP to full commercialisation is not unusual for ground breaking technology. The broader applications for the technology in precision engineering and the automotive industries are now being evaluated.

The proposed Brandenburg project in Germany is also expected to provide significant financial and technical support for the full development of PAP.

"RETRACTA" Retractable Syringes

Eastland's core strategy has been to develop and bring to market a comprehensive range of safer injectable devices to ensure the wide range of market needs is met. As part of this strategy Eastland has now reached the final stage in its plan to introduce to market a comprehensive range of easy to use, cost effective retractable syringes to both the Australian and International markets. This product range will be marketed under the RETRACTA name.

The TGA (Therapeutic Goods Administration) has confirmed that registration has been granted for the Chinese contract manufacturer for this new range of manual retractable syringes. The TGA is currently auditing the technical files for the devices and upon successful completion of this process, Eastland will launch the product range in Australia. Submissions are currently underway for European CE marking and approval by the regulatory Authorities in South Africa.

The RETRACTA range of manual retractable syringes will be available in 1ml, 3ml, 5 ml and 10ml sizes which represent more than 95% of the devices used in the Australian market. Unlike some automatic and manual retractable devices, the RETRACTA 3ml, 5ml and 10 ml devices all have interchangeable needle mounts enabling the healthcare worker to use any standard needle with the device, thereby ensuring the syringe has the same flexibility as the standard devices currently in use. Another major advantage is the fact that there is no "dead space" enabling RETRACTA to be used for critical applications such as administration of insulin for diabetes and heparin for anticoagulant therapy. The price to market of RETRACTA is expected to be significantly less than that of automatic retractable devices now in development by other companies.

THE FUTURE

The coming year will see the Eastland Group of Companies grow from strength to strength as the benefits of creating a truly international corporation are realised.

Significant synergies are already being realised across the Group in areas such as increased volume discounts in product purchasing. New products are rapidly rolled out in multiple markets. Products from Europe and Africa will be marketed in Australia. In manufacturing, products are cost effectively manufactured in small quantities, for test marketing and then rapidly scaled up as volumes increase. Highly profitable specialist niche products with small domestic markets now have access to lucrative and much larger international markets. As an international organisation listed on both the Australian and UK markets Eastland is able to take advantage of International exchange rates and has increased access to capital which will further accelerate growth.

These are exciting times and the next 12months will not only add considerable value to the company's assets but will result in significantly increased revenues and profitability.

DIRECTORS REPORT

The directors present their report on the Company and its controlled entities for the financial year ended 30 June, 2005.

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

MR. Francis (Don) O'SULLIVAN
MR. Elliott (John) PICTON-WARLOW
MR. Douglas A. SIMS
MR. Trevor P. STRAHAN
MR. David J. WHITELAW

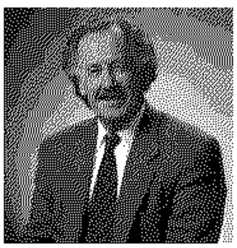
COMPANY SECRETARY

Mr. Trevor Strahan is an Associate Member of the Institute of Management Consultants who joined the company in March 2001. He was initially 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 and had previously held Company Secretarial positions with other public and private companies.

INFORMATION ON DIRECTORS

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

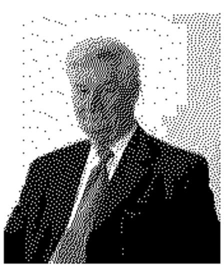
EASTLAND MEDICAL SYSTEMS LTD



Francis Donald O'Sullivan (Age 69) – Executive Director, Managing Director.

Mr. "Don" O'Sullivan was appointed to the Board at incorporation on 21 December, 1999. He has over thirty years experience as Chief Executive Officer and Chairman of several public and private companies in a wide range of industry sectors. These include pharmaceuticals, property construction, leisure, fishing, agriculture and horticulture, minerals, oil and gas sectors of the resources industry.

Don has extensive international business experience in the USA, Asia, Australia and Africa.
He was for thirty years, the Principal of one of Perth's largest residential Real Estate Companies, Land Developers and Project Home Builders.
Mr O'Sullivan is an Australian Citizen and resides in Perth, Western Australia.

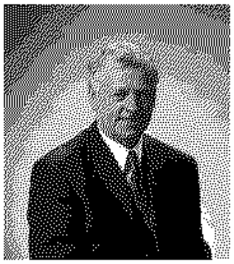


Elliott John Picton-Warlow (Age 67) Llb, Notary Public –Non Executive Director

Mr. John Picton-Warlow was appointed a director of Eastland Medical Systems Ltd at the AGM held on 27 November, 2002. He is a Barrister and Solicitor of the High Court of Australia, Supreme Court of Western Australia, England and Hong Kong, and a Notary Public in the Supreme Court of Western Australia. John graduated from the University of Western Australia and was admitted to practice law in 1961.

Extensive experience in all aspects of Intellectual Property including, copyright, patents, industrial design, media and entertainment law, trade secrets, trade marks, technological innovation, franchising and management of Intellectual Property, computer and information technology law, make John an asset for Eastland. He was one of two practitioners to form the Computerisation Committee of the Law Society of Western Australia, having developed one of the first fully computerised legal practices in Australia.
Mr Picton-Warlow has been a Director and Chairman of a number of companies over the years including several listed public companies over a diverse range of industries. He is an Australian citizen residing in Perth, Western Australia.

DIRECTORS REPORT



Douglas Arthur Sims (Age 62) –Executive Director, Product Development Manager.

Mr. Doug Sims was made 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.

Trevor Preston Strahan (Age 55) A.M.I.M.C.; C.D. –Executive Director & Company Secretary

Mr. Trevor Strahan has been a Director of Eastland Medical Systems Ltd since 20 December 2002. 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.
Over the past 3 years, Trevor has been involved with the company, initially as an advisor in the preparation of the Prospectus, and more recently as the Company Secretary. Trevor is an Australian citizen and resides in Perth, Western Australia.

David John Whitelaw (Age 50) B.Sc. (Hons) –Executive Director, Marketing & Sales.

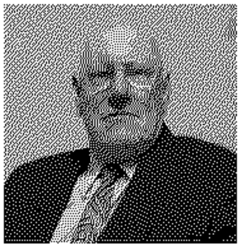
Mr. David Whitelaw has held the position of Director with Eastland Medical Systems Ltd since September 2002 and is now the Executive Director of Marketing and Sales for the Eastland Group of Companies.

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.

DIRECTORS REPORT

INFORMATION ON OTHER OFFICERS (SUBSIDIARIES)



Philip Bunce (Age 59) – Chief Executive Officer, Portland Surgical Products Pty Ltd.

Mr. Phil Bunce has worked in industrial design and plastic injection moulding since 1970. He completed an apprenticeship in Fitting, Machining and Tool-making followed by 3 years at the Royal Melbourne Institute of Technology where he studied a Diploma in Industrial Engineering. In 1979 he commenced with Smith and Nephew as a Divisional Manager and in 1981, acquired, under a management buyout, the Smith and Nephew's Portland Device Manufacturing Plant. This business became Portland Surgical Products Pty Ltd and Phil has been appointed its Chief Executive Officer.
Under his guidance Portland expanded its scope of operations, disposing of segments not related to its core activities. Always conscious of the need to develop new and improved products, a large portion of the business profits were dedicated to R&D. In doing so, he invented new intellectual property and medical devices that have been patented and brought into production. Phil's inventive skills will contribute to Eastland's R&D programme and ongoing growth. Philip is an Australian citizen and resides in Portland, Victoria.

Edward John Hawton (Age 60) -Managing Director, Medical Industries Australia Pty Ltd

Mr. Edward J Hawton joined Medical Industries Australia Pty Ltd in August 2004, as General Manager and was made a Director in January 2005. Ed commenced his career as an Anesthetic Technician at Royal Prince Albert Hospital in Sydney, only to move a few years later into management positions for the sale and distribution of medical products. The next years saw Ed as Divisional Manager/Hospital Products for AHS Australia Pty Ltd, Managing Director of Alaris Medical Systems in Australia and New Zealand and Imed Pty Ltd, Australia. Ed has successfully launched many new medical products into the sales arena. His extensive experience in Management, Sales and Compliance of the industry is of great benefit to MIA
Mr. Hawton is an Australian citizen residing in Sydney, New South Wales.

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. F.D. O'Sullivan	16,986,251	15,625
Mr. D.J. Whitelaw	131,250	265,625
Mr. J Picton-Warlow	Nil	250,000
Mr. T Strahan	835,550	284,375
Mr D.A. Sims	28,793,127	14,063

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.

DIRECTORS REPORT

PRINCIPAL ACTIVITIES

The principal activities of the economic entity during the financial year were the continued expansion of its distribution capabilities. This resulted in several transactions, namely; acquiring a 45% interest of the business operations of Health In Form (Pty) Limited in November 2004, signing an exclusive Distribution Agreement with the UK Listed company, International Medical Devices plc and entering into a conditional Agreement to purchase 80% of the shareholding of Elite Surgical Supplies of South Africa.
The company's Research & Development arrangement with Anca Pty Ltd for the Precision Angular Presentation (P.A.P.) Grinding technology was terminated which allows the Company to move forward with other alternatives.
There were no other significant changes in the nature of the economic entity's principal activities during the financial year.

OPERATING RESULT

The consolidated result of the economic entity after providing for income tax amounted to a loss of $1,928,929 (2004: loss of $967,848). The Group's loss also included an amount of $55,712, which relates to costs associated with obtaining European regulatory approvals by Eastland Medical Systems plc. The associated loss along with the depreciation & amortisation expense of $409,543, account for $465,255 or 24% of this year's loss before tax. The benefit of an unrealised gain of $973,558 received from the issue of 40,500,000 ordinary shares in International Medical Devices Ltd (IMD) was not brought to account until this financial year. (£405,000 @ Stg .4160) The ratification of the placement of these shares by IMD shareholders was not concluded until 18 July 2005.

FINANCIAL POSITION

The net assets of the economic entity have decreased by $1,550,314 to $11,724,581 in 2005. This decrease has largely resulted from the following factors:
- decrease in cash assets of $1,954,436
- a reduction in the group inventories of $177,683
- an increase in trade finance liabilities of $428,614

The above result does not take into consideration the completion of the investment by Eastland in International Medical Devices plc, the AIM Listed entity in which the company received 40,500,000 ordinary shares. At the time of the ratification by IMD shareholders on 18 July 2005 of this transaction, the value of the investment based on the current share price and exchange rate at that time, would have a net increase in the economic entity's Assets of $10,069,856. This unrealised gain increases the net assets by $8,519,542 or 64%.
The directors believe the Group's performance will improve significantly in this current financial year with expansion of its current operations and growth of various investments.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of the affairs of the consolidated entity occurred during the financial year:
- On 2 July 2004 the company entered into a Sales & Purchase Agreement to acquire the granted Patents & Trade Marks of "Cleen Sleeve", complimenting the range of medical products distributed by Eastland's subsidiary, Medical Industries Australia Pty Ltd. Consideration for these Patents & Trade Marks of $26,500 resulted in the issue of 50,000 ordinary shares & 25,000 free attaching options exercisable at $0.35cents expiring 28 February, 05.
- On 29 October 2004 the company advises of initial joint venture discussions for Research & Development facilities in the German State of Brandenburg in conjunction with its Associate, Eastland Medical Systems plc.
- On 15th November 2004, the Company issued 1,267,237 ordinary shares to Kalnin Corporation in terms of the Business and Sale Agreement for the acquisition of Medical Industries Australia Pty Ltd.
- On the 30 November 2004, the company confirms the purchase of a 45% interest in the business operations of Health In Form (Pty) Limited, a South African Medical Distribution company.
- On 31 December 2004: 2,249,264 Unlisted Options exercisable at $0.75 cents lapsed.
- On the 21 January, 2005, the first shipments of MIA products of approximately $70,000 were sent to HIF, Sth Africa.
- On 28 February, 2005: 17,500,000 Unlisted Options exercisable at $0.35cents lapsed.
- On 9 March 2005, Medical Industries Australia relocates to new premises at Lane Cove incorporating 300m2 showroom facilities.
- On 30 March 2005, MIA receives TGA approval for the Contract Manufacturer of the Retracta range of Safe Needles.
- On 12 April 2005, MIA secures a substantial Victoria Aged Care hospital furniture order.
- On 30 May 2005, Eastland terminates the Anca Pty Ltd contract for the development of PAP Needle Grinding due to cycle times specified in the contract not being able to be achieved. This will allow the Company to move forward with other alternatives.
- On 23 June 2005, a placement of 44,000 shares at $0.1426 was allotted.
- On 27 June 2005 the Company entered into an exclusive Distribution Agreement for a range of Eastland, Portland Surgical & Medical Industries products in certain territories. This Agreement resulted in an investment and the issue of 40,500,000 ordinary shares in AIM Listed Company, *"International Medical Devices plc"* (IMD). This transaction was subject to the ratification by IMD Shareholders at an Extraordinary General Meeting on 18 July 2005.
- Shareholder Share Placement Plan closed on 9 September 2005 with applications amounting to $927,500 received. This resulted in 5,796,875 ordinary fully paid shares and 2,898,479 free attaching $0.20cent listed options.

DIRECTORS REPORT

SHARE OPTIONS

Option-holders holding options issued at the time of the May 2003 placement (Class EMS AI), exercisable at $0.20cents each are reminded that those options automatically expire on 31.12.2005.

Option-holders holding options issued at the time of the September 2005 placement (Class EMSO), exercisable at $0.20cents each are reminded that those options automatically expire on 30.11.2006.

DIVIDENDS

Directors have not declared or paid dividends in respect to the financial year ended 30 June, 2005.

DIRECTORS' MEETINGS

The number of directors' meetings held and the number of meetings attended by each of the directors of the Company and its subsidiary's during the period were:

	Director Meetings Eligible to Attend	Meetings Attended
Eastland Medical Systems Ltd		
Mr D O'Sullivan	14	13
Mr J Picton-Warlow	14	10
Mr D Sims	14	13
Mr T Strahan	14	14
Mr D Whitelaw	14	14

	Director Meetings Eligible to Attend	Meetings Attended
Nomination & Remuneration Committee		
Mr D O'Sullivan	2	2
Mr J Picton-Warlow	2	2

	Director Meetings Eligible to Attend	Meetings Attended
Audit & Risk Committee		
Mr D O'Sullivan	2	2
Mr T P Strahan	2	2

REVIEW OF OPERATIONS

Eastland introduced the second phase of its strategic plan in the 04/05 financial year to develop an integrated worldwide network of subsidiaries and associated companies.

Our domestic focus during the year was the relocation and restructuring of Medical Industries Australia, positioning the operations for ongoing domestic growth and providing the capacity to supply the international markets the Group are developing. Portland Surgical Products has refocused on its traditional strengths as a manufacturer and supplier of speciality hypodermic needles and medical devices. The recent signing of a $5million five year supply contract in Australia not only expands the domestic market, it opens opportunities to the international markets.

The signing of an exclusive distribution agreement with UK based International Medical Devices provides access for the company's technology and products to the lucrative EC markets.

The incorporation of Eastland Medical Systems SA acquisition of a 45% share holding in South African based medical products distributor, "Health In Form (Pty) Limited, lays the foundations to build the company's presence in the Sub-Saharan Africa's markets in the coming 12 months. Negotiations for the acquisition of Elite Surgical Supplies further enhance our international supply chain infrastructure.

CHANGES IN CONTROLLED ENTITIES

The subsidiaries of the Company as at the year ended 30 June 2005 are:

AUSTRALIA	% Owned	
Eastland Medical Research Pty Ltd	100%	Carries out Research & Development functions of the Group and oversees the Precision Angular Presentation (P.A.P.) grinding development.
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 in Portland Victoria

DIRECTORS REPORT

AFTER BALANCE DATE EVENTS

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

- IMDplc shareholders approved the Distribution Agreement with Eastland and subsequent issue of 40,500,000 IMDplc ordinary shares. Based on the last trading price of IMD shares on AIM on 18 July, this investment added approximately Au$10 million capital value to Eastland shareholders. (Equates to approximately $0.08cents per share). These shares are subject to a 12 month escrow provision.
- On 18 July 2005 a placement of 100,000 ordinary shares at $0.18 cents were allotted.
- On 5th August 2005 the Company releases a Shareholder Share Purchase Plan with a discounted issue price of $0.16cents per share.
- On 17th August 2005, Portland Surgical Products Pty Ltd entered into a $5 million Supply Contract over 5 years with a Victorian based medical distributor, Sutherland Medical Pty Ltd.
- On 22nd August 2005, Eastland entered into an Agreement with the owners of Elite Surgical Supplies Pty Ltd to purchase 80% of the share capital for ZAR 6,400,000 (A$1,280,615)
- Shareholder Share Purchase Plan "Closing Date" extended until 9 September 2005.
- On 16th September 2005 the company issued 5,796,875 ordinary shares and 2,898,479 ordinary options exercisable at $0.20cents expiring 30 November 2006 after the close of the Shareholder Share Purchase Plan.

Details of the terms and conditions of the Elite Surgical Supplies agreement of 22 August 05, are as follows;

- the purchase consideration for 80% of the Issued Capital shall be equal to 80% of the stated value of the Net Assets of the Company as agreed and as provided in the Pro-forma Balance sheet,
- purchase consideration shall be South African Rand 6.4 million (Aust$1,281 million) of which R3.7 million (Aust$0.740 million) will be in the form of cash with the balance of R2.7 million by way of 2,160,000 Eastland Medical Systems securities issued at R1.25 (Aust$0.25c) per share, subject to ASX Listing Rule requirements. A top up provision relating to the part purchase price satisfied by the issue of Eastland shares will occur upon the Anniversary date (12 months from settlement),
- the due diligence in respect of the Business and the Assets and the financial accounts,
- the Purchaser verifying that the Company has made adequate provisions or has paid all Tax and Superannuation Commitments,
- the Vendor Dr C.J. Grobbelaar entering into a consulting and non-compete agreement with the Company and the Purchasers and the Vendor J. J. O'Toole entering into a Service Agreement and a non-compete agreement with the Company,
- the Purchaser arranging funding from a South African financial institution to provide funding for the acquisition and ongoing working capital for the Company,
- the approval of the relevant South African Government Authorities to the acquisition,
- the formal approval to this Agreement by the Board of Directors of both the Purchaser and the Vendors; and
- Eastland's South African distribution company "Health In Form" provides an additional channel to market for the Elite Product range.

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.

DIRECTORS REPORT

CORPORATE GOVERNANCE

This statement sets out the main corporate governance practices of Eastland Medical Systems Ltd (Eastland) in response to the Corporate Governance Guidelines issued and reviewed by the Corporate Governance Council of the Australian Stock Exchange (ASX).

The Corporate Governance Guidelines provide a framework for good governance set out in 10 core principles and 32 recommendations. Under ASX Listing Rule 4.10.3, listed companies are required to report on the extent to which they meet these recommendations and explain where, and why, they do not comply with any of the recommendations.

These Guidelines were subject of review by the ASX in a report of 31 March 2004. As an outcome of that review, ASX advises that effective disclosure of the greatest value to the market should cover all aspects of our corporate governance practices, not just those practices that diverge from the ASX recommendations.

1. Lay solid foundations for management oversight

   The board are currently in the process of preparing and adopting a formal charter that sets out the responsibilities reserved by the board and those delegated to the Managing Director.

   Upon completion of the formal charter document, it is expected that the board will be charged with the following responsibilities:
   - Setting the strategic direction of the Eastland Medical Systems (Eastland) Group
   - Ensuring adequate resources are available to meet its objectives
   - Appointing and removing the Managing Director
   - Ensuring adequate succession plans are in place for senior executives
   - Assess and review the risk management framework and whether the procedures are being followed,
   - Monitor financial reporting and capital management

2. Structure the board to add value

   Skills. The board comprises directors with an appropriate range of qualifications and expertise that are required to ensure the groups objectives and goals are achieved. The board consists of five directors (four executive and one non-executive), the experience and qualifications of each director and their terms of office are discussed further on pages 6,7 and 8 of the Annual Report to Shareholders 2004/2005.

   Role of the Chairperson. In keeping with Best Practice Recommendations, the Chairperson must be a non-executive director. The company does not have a designated Chairman at present as the current Eastland Board comprises of four executive and one non-executive Directors. The Board are conscious of the limited number of non executive directors and are looking to comply with this principle in the future. The Board continues to look for a suitable independent candidate to fulfil the permanent role of Chairman.

   Experience. The directors have an appropriate mix of business and legal experience that ensure effective decision making.

   Appointment and Removal. The board acknowledge that succession planning is an important part of the governance process. The appointment and removal of directors is governed by the Eastland constitution.

   Independence. The majority of the board are executive directors; it is acknowledged that under good governance processes the board should be made up of a majority of independent members. However due to the size and nature of the Eastland Group, it is not considered feasible to structure the board in this manner at this point in time. This situation will be closely monitored and at the appropriate time that board structure will be changed to achieve independence of members. The directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the company's expense. Prior approval of the board, is required, but will not be withheld unreasonably.

   Board Committees. The board has established a Nomination and Remuneration Committee and an Audit and Risk Committee to assist it in performance of its duties. The establishment of and delegation of tasks to the committee does not dilute the responsibilities of the board as a whole.

   Nomination and Remuneration Committee comprises members of the board, has the responsibility for:
   - Formulating policies relating to the appointment, retirement and evaluation of the performance of the board, key executives and staff
   - Formulation policies for the induction of new directors and executives
   - Formulating policies for, and reviewing remuneration of the board and key executives
   - Reviewing the performance and duties of key executives and staff

DIRECTORS REPORT

This committee has the responsibility for the recruitment, remuneration packages (including salaries, superannuation and incentive packages for board members, senior executives and staff) as well as reviewing their performance, and recommending their retention or termination. The committee will have access to internal and external resources to enable them to carry out their function.

Audit and Risk Committee is discussed under Safeguard integrity in financial reporting.

Membership of the boards committees and attendance by directors at meetings is outlined on page 10.

3. Promote ethical and responsible decision making

   Code of Ethics and Conduct. The Officers Code of Ethics and Conduct was finalised in March 2005 and integrated into the Company Manual for distribution to all Officers and Employees of the Company. The board requires of itself and employees of the group a high standard of honesty, fairness and equity in all aspects of employment with the Eastland Group. The board actively promotes ethical and responsible decision making by both itself and employees of the Group.

   Dealing Rules. The board of directors are restricted in the securities dealings of Eastland shares by virtue of ASX Listing Rules and Corporations Law.

4. *Statement in writing by the Chief Executive Officer and Chief Financial Officer to the Board that the financial reports present a true and fair view.* The Financial Reports for Eastland as submitted to the Board are signed off by the Chief Executive Officer and Financial Controller in accordance with Best Practice recommendation 4.1 "Safeguard integrity in financial reporting". They confirm that the financial statements for Eastland are founded on sound risk management and internal compliance and control systems, and that those systems in place operate efficiently and effectively in all material respects.
   These financial statements for the Eastland Group presented for public release provide a true and fair view, in all material respects of the company's financial condition and operating results. The accounts for the Group have been produced in accordance with the relevant Accountant Standards.

   Safeguard integrity in financial reporting. The Eastland Group currently produces quarterly unaudited reports, half yearly audited reports and full year audited financial reports. The Financial Controller for the Group provides letters of assurance to the board for each half year and full year results.

   The primary responsibility of the committee is to review the internal structures and accounting controls within the company and its subsidiaries making such recommendations as it sees fit to ensure the integrity of the accounting system and safeguarding company assets. The committee has opted to use the services of external consultants and their professional staff to assist in there review function.
   The committee currently consists of two members (F.D. O'Sullivan & T.P. Strahan). The qualifications of both members of the current committee are discussed on pages 6, 7and 8 of the Annual Report. Additional independent members for the committee are currently being assessed.

   The Eastland Group is also required to undergo half yearly and full yearly audits of its financial reports. These audits are currently performed by Bentleys MRI (formerly Hall Chadwick), the appointment of the group's external auditors is a function of the board.

5. *Make timely and balanced disclosure.* The board believes that the company discloses all relevant information to the public in a timely and balanced manner. The responsibility of compliance with statutory and regulatory requirements has been delegated to the company Financial Controller.

6. *Respect the rights of shareholders.* The communication policy of Eastland is to provide shareholders with good clear information using current technologies that are available to the company. Eastland uses electronic mail and its web site to convey information to current and prospective shareholders. Shareholder information is regularly updated and monitored to ensure any information released to shareholders is received by the relevant parties.

7. *Recognise and manage risk.* The board places great importance over the risk and oversight and internal control systems of the company. The delegation of these responsibilities has been undertaken by the board and the relevant senior executives and management have been informed. The risk and control processes in place encompass the staff, places of business, intellectual property and information systems. A statement has been provided to the board from the company Financial Controller in accordance with best practice recommendation 4.1 that the information is founded on sound internal control and compliance processes which ensure board policies and the information systems are operating efficiently and effectively in all material respects.

8. *Encourage enhanced performance.* The board is currently in the process of determining a set of key performance indicators to assess its performance and that of other key executives. The initial process of formulating these key indicators and the process in which each board member and key executives performance is to be assessed has

taken longer than anticipated. The board is now in a position to begin the assessment process with the results being made available in the near future. The board has the option to seek external assistance in conducting its review of performance.

9. *Remunerate fairly.* Information on the remuneration policy for the board and non executive directors and the relationship between such policy and the company's performance is provided in Note 5, Directors' and Executive Remuneration report on page 31 of the Annual Report.

10. *Recognise the legitimate interests of stakeholders.* The company recognises the rights of stakeholders and publishes the majority of its announcements and any other relevant information on its web site for the general public to assess. The communication policy of Eastland is constantly under review to ensure an effective and efficient release of information to the public on the company's affairs both in a legal and ethical sense.

FUTURE DEVELOPMENTS

Likely developments in the operations of the economic entity 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 economic entity.

ENVIRONMENTAL ISSUES

The economic entities operations are not subject to any significant environmental regulations under the laws of the Commonwealth and State.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS.

During the financial year the company paid an insurance premium of $53,900 in respect of a Directors and Officers liability policy covering all directors and officers of the company.

The company has executed a Deed of Access, Insurance and Indemnity with each of the current parent directors, and the directors of each of the wholly owned subsidiaries, indemnifying them against any liability incurred in their capacity as director and the costs defending any proceedings to the extent permitted by the law.

DIRECTORS' REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of the Company, and for the specified executives of the economic entity receiving the highest remuneration.

Remuneration Policy.

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

- The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and specified directors and executives are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to date of retirement.
- The group seeks to emphasize payment for results through providing various cash bonus reward schemes, specifically, the incorporation of incentive payments based on performance. The objective of the reward scheme is to reinforce the short and long-term goals of the company and to provide a common interest between management and shareholders.

Details of Remuneration for the year ended 30 June 2005.

Directors	Primary				Post Employment	Equity	Other	Total
	Salary, Fees & Commissions	Super Contribution	Cash Bonus	Non-Cash Benefits	Superannuation	Options		
	$000	$000	$000	$000	$000	$000	$000	$000
FD O'Sullivan	138,585	1,313	-	-	-	-		139,898
D J Whitelaw	120,425	10,838	-	-	-	-		131,263
T P Strahan	98,617	5,316	-	-	-	-		103,933
D A Sims	62,585	5,633	-	-	-	-		68,218
E J Picton-Warlow	14,585	563	-	-	-	-		15,148
Totals	434,797	23,663	-	-	-	-		458,460

DIRECTORS REPORT

Specified Executives	Primary Salary & Fees $000	Post Employment Super Contribution $000	Equity Cash Bonus $000	Other Non-Cash Benefits $000	Total Super $000	Total $000
P Bunce	119,266	8,484	-	-	-	127,750
E Hawton	106,246	6,306	-	-	-	112,552
G Pynt	61,126	1,500	-	-	-	62,626
L Kalnin	42,310	2,766	-	-	-	45,076
Totals	328,948	19,056	-	-	-	348,004

SHARE OPTIONS

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

16 September, 2005 as part of a share placement plan, 2,898,479 listed options with an exercise price of $0.20 cents and with an expiry date of 30 November 2006, were issued to participating shareholders.

The following options expired during the financial year:

31 December, 2004 2,249,264 unlisted options with an exercise price of $0.75 cents with an expiry date of 31 December, 2004 lapsed.

28 February, 2005 17,500,000 unlisted options with an exercise price of $0.35 cents with an expiry date of 28 February 2005 lapsed.

There are 5,794,948 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 as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

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

Taxation advice	$3,255

AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2005 has been received and can be found on page 20 of this report.

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

Dated: 28 September 2005. PERTH, Western Australia.

F.D. O'Sullivan	D.A. Sims	T.P. Strahan	D.J. Whitelaw

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

SHAREHOLDER INFORMATION

The issued capital of the Company as at 22 September 2005 is 128,427,234 (2004: 121, 219,122) ordinary shares.

In addition to this there are also options as listed below:

NUMBER OF OPTIONS	EXPIRY DATE	EXERCISE PRICE	(2004)
2,896,469	31 December, 2005	$0.20 cents each	(2,896,469)
2,898,479	30 November, 2006	$0.20 cents each	(Nil)

Distribution of shareholdings as at 22 September 2005:

SIZE OF HOLDING	SHAREHOLDERS	SHAREHOLDING	%
1-1,000	58	41,087	0.03
1,001-5,000	330	1,090,991	0.85
5,001-10,000	371	3,268,964	2.55
10,001-100,000	905	32,731,663	25.49
more than 100,000	152	91,294,529	71.08
	1,816	128,427,234	100.00

AUSTRALIAN STOCK EXCHANGE LISTING

The Company's shares are quoted on the Australian Stock 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 trade are:

Ordinary shares: - **EMS** Ordinary Options: - **EMSO**

SHAREHOLDER DISTRIBUTION

As at 22nd September 2005, the twenty largest shareholders held shares equal to 52.41% of the total issued capital. The holders of these shares are as follows:

Twenty Largest Shareholders	**Number of Shares**	**Percentage**
Fee-Zone Pty Ltd	15,153,626	11.80
General Development Corporation Pty Ltd	14,455,000	11.26
Eastland Technology Australia Ltd	12,055,000	9.38
Palos Pty Ltd	4,000,000	3.11
Citycorp Nominees Pty Limited	2,861,410	2.23
B N D Pty Ltd	2,250,000	1.75
First Manhattan Corporate Services Pty Ltd	2,025,001	1.57
First Manhattan Securities Pty Ltd	2,000,000	1.56
O'Sullivan Superannuation Fund	2,000,000	1.56
Vasile Onicas <Family Account>	1,896,250	1.48
Vasile Onicas	1,431,250	1.11
Sanford Financial Pty Ltd	1,459,500	1.14
R & R Dougall <Dougall Retirement Fund>	1,160,196	0.90
Pamela O'Sullivan	958,640	0.75
New City Enterprises Pty Ltd	801,250	0.62
John Firth	725,250	0.56
Agett Nominees Pty Ltd	545,000	0.42
Francis D O'Sullivan	531,251	0.41
Douglas A Sims	509,376	0.40
Lesley A Sims	509,375	0.40
Total	**67,327,375**	**52.41**

Surname underlined

The registers of securities of the Company are maintained at Advanced Share Registry Services, 110 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

SHAREHOLDER INFORMATION

VOTING RIGHTS

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

i. Each shareholder entitled to vote may either vote in person, by proxy, by representative or by attorney;

ii. On a show of hands, each shareholder present in person, by proxy, by representative or by attorney has one vote

iii. On a poll, each shareholder present in person, by proxy, by representative or by attorney shall have 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 11.00 am (WST) on Tuesday 22 November 2005 at the Premises of the Country Women's Association of WA, CWA House, 3rd Floor, 1174 Hay Street, West Perth.** Western Australia 6005.

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL

Bentleys mri
Thinking ahead

Bentleys MRI Perth Partnership
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INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF EASTLAND MEDICAL SYSTEMS LIMITED

SCOPE

The financial report and directors' responsibility

The financial report of Eastland Medical Systems Limited and its controlled entities comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the Directors' declaration for the year ended 30 June 2005.

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

Audit Approach

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

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

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

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

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

INDEPENDENCE

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

AUDIT OPINION

In our opinion, the financial report of Eastland Medical Systems Limited and its controlled entities is in accordance with:

a. the Corporations Act 2001, including:

   i. giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2005 and of its performance for the year ended on that date; and
   ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b. other mandatory professional reporting requirements in Australia.

INHERENT UNCERTAINTY REGARDING CARRYING VALUE OF NON-CURRENT ASSETS

Without qualification to the opinion expressed above, attention is drawn to the following matters:

Included in the Statement of Financial Position are the following non-current assets:

- Parent Entity:
  - Patents, Trademarks and Licences - $2,192,659
  - Research and Development Costs - $632,966
- Economic Entity:
  - Patent, Trademarks and Licences - $2,502,659
  - Research and Development Costs - $766,770

The recoverable amount of the above assets is ultimately dependent upon:

a the ability to raise further capital and/or generate funds to continue future research and development; and
b the successful commercialisation of these assets; or
c the sale of these assets for at least book value

The outcome of the above matters cannot be presently determined and as such, there is uncertainty as to the ultimate recoverable amount of these assets.

BENTLEYS MRI PERTH PARTNERSHIP

MAURICE L ANGHIE
PARTNER

DATED at PERTH this 28th day of September 2005

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL

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28th September 2005

The Board of Directors
Eastland Medical Systems Ltd
Level 2, 680 Murray Street
WEST PERTH WA 6005

Dear Board Members

EASTLAND MEDICAL SYSTEMS LTD

In accordance with Section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Eastland Medical Systems Ltd.

As a lead audit partner of the financial statements of Eastland Medical Systems Ltd for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

BENTLEYS MRI PERTH PARTNERSHIP

MAURICE L ANGHIE
PARTNER

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 22 to 45 are in accordance with the Corporations Act 2001:

   (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 2005 and of the performance for the year ended on that date of the Company and economic entity.

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.

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

Dated at Perth, 28 September 2005

F.D. O'Sullivan	D.A. Sims	T.P. Strahan	D.J. Whitelaw

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

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
		$	$	**$**	$
Revenue from ordinary activities	2(a)	**8,306,245**	5,122,551	**117,921**	154,212
Foreign currency transaction gains/(losses)	2(b)	**(8,667)**	182,352	**-**	-
Raw Materials & Consumables used	3	**(4,991,195)**	(2,422,482)	**-**	-
Employee benefits expense		**(2,194,173)**	(1,548,054)	**(768,177)**	(647,591)
Depreciation & amortisation expense	3	**(409,543)**	(349,862)	**(26,325)**	(21,521)
Borrowing cost expense	3	**(185,152)**	(92,947)	**(3,111)**	(3,602)
Advertising & Public Relations		**(85,138)**	(42,273)	**(31,733)**	(22,451)
Audit and Accounting Fees		**(146,005)**	(76,900)	**(90,580)**	(23,685)
Australian Stock Exchange & ASIC Fees		**(24,624)**	(62,099)	**(24,412)**	(49,464)
Broker Expenses		**(10,000)**	(40,552)	**(10,000)**	(40,552)
Distribution Expenses		**(226,408)**	(194,506)	**-**	-
Legal Costs		**(95,564)**	(83,882)	**(75,812)**	(41,830)
Professional Fees		**(247,695)**	(48,733)	**(202,034)**	-
Occupancy Expense	3	**(225,788)**	(132,032)	**(76,336)**	(62,800)
Patent Costs		**(156,812)**	(160,025)	**(110,453)**	(132,059)
Printing & Stationery		**(49,413)**	(52,533)	**(14,343)**	(25,653)
Share Registry Services		**(13,217)**	(15,608)	**(13,217)**	(15,608)
Telephone		**(59,346)**	(42,370)	**(11,522)**	(8,501)
Travelling Expense		**(237,975)**	(149,607)	**(130,349)**	(72,931)
R & D Expense		**-**	(14,166)	**-**	-
Insurance		**(182,127)**	(88,532)	**(53,934)**	(6,361)
Other Expenses		**(630,620)**	(442,581)	**(35,175)**	(101,559)
Share of loss of associates using the equity method	13	**(55,712)**	(213,007)	**-**	-
Loss from ordinary activities before income tax expense	4	**(1,928,929)**	(967,848)	**(1,559,592)**	(1,121,956)
Income tax expenses relating to ordinary activities	4	**-**	-	**-**	-
Loss from ordinary activities after related income tax expense		**(1,928,929)**	(967,848)	**(1,559,592)**	(1,121,956)
Net Loss		**(1,928,929)**	(967,848)	**(1,559,592)**	(1,121,956)
Basic Loss per share	7	**($0.016)**	($0.009)	**($0.013)**	($0.009)
Diluted Loss per share	7	**($0.016)**	($0.009)	**($0.013)**	($0.009)

The accompanying notes form part of these financial statements.

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2005

	Note	Economic Entity		Parent Entity	
		2005	2004	**2005**	2004
		$	$	**$**	$
CURRENT ASSETS					
Cash assets	8	**1,826,837**	3,781,273	**1,228,163**	3,220,776
Receivables	9	**1,355,631**	1,124,422	**-**	30,976
Other	10	**188,143**	87,805	**158,641**	50,519
Inventories	11	**2,185,835**	2,363,518	**-**	-
TOTAL CURRENT ASSETS		**5,556,446**	7,357,018	**1,386,804**	3,302,271
NON CURRENT ASSETS					
Property, plant and equipment	14	**1,181,248**	1,187,466	**123,190**	146,164
Receivable	9	**-**	-	**6,414,424**	5,921,030
Intangible assets	15	**6,680,013**	6,560,994	**2,192,659**	2,166,159
Other	10	**1,533,651**	934,379	**1,603,060**	799,075
Investments Accounted for Using the Equity Method	12	**-**	55,712	**-**	-
Other financial assets	16	**-**	-	**737,717**	1,190,209
TOTAL NON CURRENT ASSETS		**9,394,912**	8,738,551	**11,071,050**	10,222,637
TOTAL ASSETS		**14,951,358**	16,095,569	**12,457,854**	13,524,908
CURRENT LIABILITIES					
Payables	18	**516,887**	648,614	**247,035**	121,693
Interest bearing liabilities	19	**2,013,260**	1,538,441	**-**	24,512
Provisions	20	**233,190**	100,102	**39,519**	26,425
TOTAL CURRENT LIABILITIES		**2,763,337**	2,287,157	**286,554**	172,630
NON CURRENT LIABILITIES					
Interest bearing liabilities	19	**431,919**	449,776	**-**	-
Provisions	20	**31,521**	83,741	**-**	-
TOTAL NON CURRENT LIABILITIES		**463,440**	533,517	**-**	-
TOTAL LIABILITIES		**3,226,777**	2,820,674	**286,554**	172,630
NET ASSETS		**11,724,581**	13,274,895	**12,171,300**	13,352,278
EQUITY					
Contributed equity	21	**16,758,865**	16,380,250	**16,758,865**	16,380,250
Accumulated losses	23	**(5,034,284)**	(3,105,355)	**(4,587,565)**	(3,027,972)
TOTAL EQUITY		**11,724,581**	13,274,895	**12,171,300**	13,352,278

The accompanying notes form part of these financial statements.

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

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity		Parent Entity	
		2005	2004	**2005**	2004
		$	$	**$**	$
CASHFLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**7,920,545**	5,084,660	**5,397**	-
Payments to suppliers and employees		**(9,076,653)**	(6,098,227)	**(1,651,201)**	(1,241,006)
Interest received		**133,973**	155,769	**112,524**	154,212
Interest paid/ Borrowing costs		**(168,354)**	(78,437)	**(4,853)**	(3,602)
Net cash provided by (used in) operating activities	28(a)	**(1,190,489)**	(936,235)	**(1,538,133)**	(1,090,396)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of plant and equipment		**(397,617)**	(423,244)	**(260,407)**	(283,815)
Purchase of technology & licenses		**(10,000)**	(400,000)	**(10,000)**	(400,000)
Payments for Research & Development		**(94,428)**	(407,090)	**(94,428)**	(392,924)
Payment for acquisition of shares in subsidiary	28(b)	**(10)**	(112,161)	**(10)**	(737,713)
Payment for Business operations net of cash acquired	28(b)	**-**	(4,087,123)	**-**	-
Payment for associates		**-**	(268,718)	**-**	(452,492)
Proceeds from Sale of Property, Plant and Equipment		**-**	14,000	**-**	-
Advances to subsidiaries		**-**	-	**215,434**	(3,734,073)
Net cash provided by (used in) investing activities		**(502,055)**	(5,684,336)	**(149,411)**	(6,001,017)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		**6,275**	9,993,103	**-**	9,993,103
Proceeds of Borrowings		**50,942**	86,595	**-**	-
Payment for capital raising costs		**-**	(517,586)	**-**	(517,586)
Loans to Subsidiary/ Associate		**(280,558)**	(14,782)	**(280,558)**	(14,782)
Proceeds of loans		**-**	135,000	**-**	135,000
Repayment of Borrowings		**(63,029)**	(20,592)	**(24,511)**	(20,592)
Net Cash provided by (used in) Financing Activities		**(286,370)**	9,661,738	**(305,069)**	9,575,143
Net Increase (Decrease) in cash held		**(1,978,914)**	3,041,167	**(1,992,613)**	2,483,730
Cash at 1 July, 2004		**3,766,742**	725,575	**3,220,776**	737,046
Cash at 30 June, 2005	8	**1,787,828**	3,766,742	**1,228,163**	3,220,776

The accompanying notes form part of these financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers the economic entity of Eastland Medical Systems Ltd and controlled entities, and Eastland Medical Systems Ltd as an individual parent entity. Eastland Medical Systems Ltd is a listed public company, incorporated and domiciled in Australia.

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

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

(a) Principles of Consolidation

A controlled entity is any entity controlled by Eastland Medical Systems Ltd. Control exists where Eastland Medical Systems Ltd has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Eastland Medical Systems Ltd to achieve the objectives of Eastland Medical Systems Ltd. A list of controlled entities is contained in Note 17 to the financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Where shares in a controlled entity are disposed of but control over the entity is retained, any gain or loss on consolidation resulting from adjustments to pre-acquisition retained earnings or accumulated losses and reserves is recognised as a gain or loss in the accounts of the economic entity during the period in which the disposal of shares occurred.

(b) Income Tax

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

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

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

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

Eastland Medical Systems Ltd and wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. Eastland Medical Systems Ltd is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The tax consolidated group has entered into a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

Property

Freehold land and buildings are measured on the fair value basis, being the amount for which an asst could be exchanged between knowledgeable willing parties in an arm's length transaction. It is the policy of the economic entity to have an independent valuation every three years, with annual appraisals being made by the directors.

The revaluation of freehold land and buildings has not taken into account of the potential capital gains on tax assets acquired after the introduction of capital gains tax.

Plant and Equipment

Plant and equipment are measured on the costs 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 which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Depreciation

The depreciable amount of all fixed assets including capitalised lease assets, but excluding freehold land and building, is depreciated on a straight line and diminishing value basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to depreciation. 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	0%
Leasehold improvements	7.5 – 22.5%
Plant and Equipment	10- 20%
Leased Plant and Equipment	0%
Office Furniture	10 – 20%
Leased Office Furniture	10 – 20%

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.
Stock in Transit from overseas purchases is recognised in the accounts at the time of raising the Letter of Credit for the purchase regardless of whether the stock has been shipped.

(e) Goods and Services Tax (GST)

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

(f) Investments

Shares in listed companies held as current assets are valued by directors at those shares' market value at each balance date. The gains or losses, whether realised or unrealised, are included in profit from ordinary activities before income tax.
Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed investments or the underlying net assets for other non-listed investments. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

(g) Deferred Expenditure

Research and Development
Research and development costs are charged to profit from ordinary activities before income tax as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover those deferred costs.

Deferred research and development expenditure is amortised on a straight line basis over the period during which the related benefits are expected to be realised, once commercial production has commenced.

The deferred expenditure balances and the period of amortisation are reviewed annually. Where it is no longer expected, beyond reasonable doubt, that the deferred costs will be recovered during the period of expected future benefits, the rate of amortisation is adjusted.

(h) Intangibles

Patents and Trademarks
Patents and trademarks are valued in the accounts at cost of acquisition and are amortised over the period in which their benefits are expected to be realised.

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Both purchased goodwill and goodwill on consolidation are amortised on a straight line basis over the period of 20 years. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

(i) Employee Benefits

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

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

(j) Cash

For the purpose of the statement of cash flows, cash includes:
(i) Cash on hand and call deposits with banks or financial institutions, net of bank overdrafts; and
(ii) Investments in money market instruments with less than 14 days to maturity.

(k) Comparative Figures

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

(l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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. Lease payments received reduce the liability.

(m) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.
Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. All revenue is stated net of GST.
Revenue from rendering of a service is recognised upon the delivery of the service to the customers.

(n) Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting.

(o) Foreign Currency Transactions and Balances

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

The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

Exchange differences arising on hedged transactions undertaken to hedge foreign currency exposures, other than those for the purchase and sale of goods and services, are brought to account in the profit from ordinary activities when the exchange rates change. Any material gain or loss arising at the time of entering into hedge transactions is deferred and brought to account in the profit from ordinary activities over the lives of the hedges.

Costs or gains arising at the time of entering hedged transactions for the purchase and sale of goods and services, and exchange differences that occur up to the date of purchase or sale, are deferred and included in the measurement of the purchase or sale. Gains and losses from speculative foreign currency transactions are brought to account in the profit from ordinary activities when the exchange rate changes.

(p) Impact of adoption of Australian Equivalents to International Financial Reporting Standards

The Company is preparing and managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for financial years commencing 1st January 2005. The adoption of AIFRS will be reflected in the economic entity's financial statements for the year ending 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ending 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

The economic entity's management, with the assistance of external consultants, has assessed the significance of the expected changes and is preparing for their implementation. An AIFRS committee is overseeing and managing the economic entity's transition to AIFRS. The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable.

The directors are of the opinion that the key material differences in the economic entity's accounting policies on conversion to AIFRS and the financial effect of these differences, where known, are as follows. Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by standard-setters to the current AIFRS or interpretation of the AIFRS requirements changes from the continuing work of the economic entity's AIFRS committee.

Research and Development Expenditure

Under AASB 138: Intangible Assets, costs associated with the research phase of the development of an asset must be expensed. This will result in a change in the current accounting policy, which capitalises research costs to the statement of financial position where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover these deferred costs.

On transition, the financial effect of this impact is assessed as nil, as no research costs were capitalised at 1 July 2004 or 30 June 2005.

Impairment of Assets

Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher of fair value less costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset or at the 'cash generating unit' level. A 'cash generating unit' is determined as the smallest group of assets that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets. The current policy is to determine the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the asset's use and subsequent disposal. It is likely that this change in accounting policy will lead to impairments being recognised more often.

The economic entity has reassessed its impairment testing policy and tested all assets for impairment as at 1 July 2005. The impact of the change is estimated to be $nil (parent: $nil).

Goodwill on Consolidation
Under AASB 3: Business Combinations, goodwill is capitalised to the statement of financial position and subjected to an annual impairment test. Amortisation of goodwill is prohibited. Current accounting policy of the entity is to amortise goodwill on a straight-line basis over a period of 20 years.

Impairment testing as at 1 July 2005 confirmed no impairment of the $4,644,888 goodwill less accumulated amortisation of $457,474 as disclosed in the economic entity's financial statements at 30 June 2005. The previously amortised goodwill of $457,474 will, therefore, be reversed resulting in a corresponding increase of $194,008 in retained earnings at 1 July 2004 and an increase in profit amounting to $263,466 for the year ended 30 June 2005.

Employee Benefits — Defined Superannuation Plan
Under AASB 119: Employee Benefits, employer-sponsors are required to recognise the net surplus or deficit in their employer-sponsored defined benefit funds as an asset or a liability based on the difference between the accrued benefits and the net market value of the plan's assets. This will result in a change in the economic entity's current accounting policy, which does not record an asset relating to any net surplus and a liability is only recognised as a net deficit where a present legal obligation exists.

The impact of this change in the accounting policy will be $nil.

Financial Instruments
Under AASB 139: Financial Instruments: Recognition and Measurement, financial assets are required to be classified into four categories, which determine the accounting treatment of the item. The categories and various treatments are:

- — held to maturity, measured at amortised cost;
- — held for trading, measured at fair value with unrealised gains or losses charged to the profit and loss;
- — loans and receivables, measured at amortised cost; and
- — available for sale instruments, measured at fair value with unrealised gains or losses taken to equity.

Under AASB 139: Financial Instruments: Recognition and Measurement, the measurement of available for sale instruments at fair value differs to current accounting policy which measures non-current investments at cost with an annual review by directors to ensure the carrying amounts are not in excess of the recoverable value of the instrument. The impact of the change is likely to be $nil.

AASB 1 provides an election whereby the requirements of AASB 132 & 139 dealing with financial instruments are not required to be applied to the first AIFRS comparative year, and the first time adoption of this standard will apply from 1 July 2005. The economic entity has decided that it will adopt this election and will not restate comparative information for the 30 June 2005 financial year.

Income Tax
Currently, the economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are not currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112: Income Taxes, the entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit

Derivative Financial Instruments
Eastland Medical Systems LTD does not currently recognise derivative financial instruments in the financial statements. AASB 139: Financial Instruments: Recognition and Measurement requires a change to the method of accounting for derivative financial instruments and hedging activities so that they are recorded in the financial statements.

AASB 1 provides an election whereby the requirements of AASB 139 dealing with financial instruments are not required to be applied to the first AIFRS comparative year and the first time adoption of this standard will apply from 30 June 2005. The economic entity has decided that it will adopt this election and will not restate comparative information for the financial year ending 30 June 2005.

On transition to AIFRS the estimated cumulative financial effect of the reliably known differences on the parent and economic entity's reported net profit and equity as at 30 June 2005 is summarised below. As noted above, these amounts represent management's best estimates, and could differ from actuals.

Derivative Financial Instruments (Continued)	Economic Entity	Parent Entity
	2005	2005
	$000	$000
Reconciliation of Net Profit		
Net profit reported under Australian Accounting Standards	(1,929)	(1,559)
Key transitional adjustments:		
— Recognition of impairment loss (ii)	-	-
— Reversal of amortization of goodwill (iii)	263	-
— Movement in defined benefit superannuation plan asset (iv)	-	-
— Income tax expense — deferred tax movement (vi)	-	-
Total transitional adjustments	263	-
Net Loss under AIFRS	(1,666)	(1,559)
Reconciliation of Equity		
Total equity reported under Australian Accounting Standards	11,725	12,171
Retrospective adjustments to equity at 1 July 2004:		
— Reversal of amortisation of goodwill (ii)	-	-
— Recognition of defined benefit superannuation plan asset (iv)	-	-
— Recognition of deferred tax on revalued assets(vi)	-	-
	11,725	12,171
Decrease in current year loss resulting from transition to AIFRS	263	-
Recognition of deferred tax on revalued assets (vi)	-	-
Total equity under AIFRS	11,988	12,171

	Economic Entity		Parent Entity	
	2005	2004	**2005**	2004
2. REVENUE	**$**	$	**$**	$
(a) Operating Activities				
- sale of goods	**8,140,298**	4,739,401	**1,650**	-
- interest received	**133,973**	155,769	**112,524**	154,212
- Licence fees	-	207,234	-	-
- services revenue	**32,529**	6,147	-	-
	8,306,800	5,108,551	**114,174**	154,212
Non Operating Activities				
- Proceeds on disposal of plant & equipment	**5,760**	14,000	-	-
- Previous written down value	**(6,315)**	-	-	-
- Other Income	-	-	**3,747**	-
Total Revenue	**8,306,245**	5,122,551	**117,921**	154,212
(b) Revenue & Net Gains				
Net gain on disposal of non-current assets				
- Property plant & equipment	-	-	-	(818)
- Foreign currency transaction gains	**(8,667)**	182,352	-	-
	8,297,578	5,304,903	-	(818)
3. LOSS FROM ORDINARY ACTIVITIES HAS BEEN DETERMINED AFTER:				
Expenses:				
-Cost of Sales	**(4,991,195)**	(2,422,482)	-	-
Total cost of sales	**(4,991,195)**	(2,422,482)	-	-
Depreciation & Amortisation of Non Current Assets				
-Goodwill on consolidation	**(263,497)**	(194,225)	-	-
-Plant & Equipment	**(108,330)**	(133,085)	**(18,961)**	(11,655)
-Leased Plant & Equipment	**(37,716)**	(22,552)	**(7,364)**	(9,866)
Total depreciation & amortisation	**(409,543)**	(349,862)	**(26,325)**	(21,521)

3. LOSS FROM ORDINARY ACTIVITIES HAS BEEN DETERMINED AFTER: (CONT)

Borrowing costs				
- other persons	**(185,152)**	(92,947)	**(3,111)**	(3,602)
Total borrowing costs	**(185,152)**	(92,947)	**(3,111)**	(3,602)
Rental expense on operating leases				
- Minimum lease payments	**(225,788)**	(132,032)	**(76,336)**	(62,800)
Total leasing costs	**(225,788)**	(132,032)	**(76,336)**	(62,800)

4. INCOME TAX EXPENSE

No income tax is payable by the parent company or any subsidiary company within the economic entity as the companies are either in a current year tax loss position or have sufficient prior year tax losses available to offset against current year taxable income. The future income tax benefit, which may be derived from such losses has not been carried forward as an asset in the statement of financial position and will only be obtained if:

(a) the relevant company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;
(b) the relevant company continues to comply with conditions for deductibility imposed by the law; and
(c) no changes in tax legislation adversely affect the relevant company in realising the benefit from the deduction for the loss.

	Economic Entity		**Parent Entity**	
	2005	2004	**2005**	2004
	$	$	**$**	$
Net loss for the period	**(1,928,929)**	(967,848)	**(1,559,592)**	(1,121,956)
Prima Facie tax benefit on loss from ordinary activities before income tax at 30%	**578,679**	290,354	**467,878**	336,587
Less: tax effect of timing differences and tax losses not brought to account	**(578,679)**	(290,354)	**(467,878)**	(336,587)
Income Tax Expense	**-**	-	**-**	-

The Company has $3,062,991 of carried forward tax losses and $2,359 of capital losses as at 30 June 2004.

5. DIRECTORS' AND EXECUTIVES' REMUNERATION

a. Names and positions held of Parent Entity Directors and Specified Executives in office at any time during the financial year are:

Parent Entity Directors

F D O'Sullivan	Managing Director
D J Whitelaw	Executive Director Marketing and Sales
D A Sims	Executive Director Product Development
T P Strahan	Company Secretary / Financial Controller
E J Picton-Warlow	Non-Executive Director

Specified Executives

P Bunce	Chief Executive Officer, Portland Surgical Products
E Hawton	Managing Director, Medical Industries Australia P/l –from 11 January 2005
L N Kalnin	Executive Director & General Manager, MIA- Completion of contract-resigned 20 April, 2005
G D Pynt	Company Secretary & Financial Controller MIA- Completion of contract-resigned 11 January, 2005

REMUNERATION AND RETIREMENT BENEFITS

b. Parent Entity Directors' Remuneration

2005	Primary				Post Employment	Equity	Other	Total
	Salary, Fees & Commissions	Super Contribution	Cash Bonus	Non-Cash Benefits	Super-annuation	Options		
	$000	$000	$000	$000	$000	$000	$000	$000
FD O'Sullivan	138,585	1,313	-	-	-	-		139,898
E J Picton-Warlow	14,585	563	-	-	-	-		15,148
D A Sims	62,585	5,633	-	-	-	-		68,218
T P Strahan	98,617	5,316	-	-	-	-		103,933
D J Whitelaw	120,425	10,838	-	-	-	-		131,263
Totals	434,797	23,663	-	-	-	-		458,460

Parent Entity Directors' Remuneration

2004	Primary				Post Employment	Equity	Other	Total
	Salary, Fees & Commissions	Super Contribution	Cash Bonus	Non-Cash Benefits	Super-annuation	Options		
	$000	$000	$000	$000	$000	$000	$000	$000
FD O'Sullivan	174,531	2,250	-	-	-	-	5,493	182,274
E J Picton-Warlow	25,000	2,250	-	-	-	-	5,493	32,743
D A Sims	65,000	6,210	-	-	-	-	5,493	76,703
T P Strahan	117,819	7,710	-	-	-	-	5,493	131,022
D J Whitelaw	88,236	7,727	-	-	-	-	5,493	101,456
Totals	470,586	26,147	-	-	-	-	27,465	524,198

The service and performance criteria set to determine remuneration are included per Note (h).

c. Specified Executives' Remuneration

2005	Primary				Post Employment	Equity	Other	Total
	Salary & Fees	Super Contribution	Cash Bonus	Non-Cash Benefits	Super	Options		
	$000	$000	$000	$000	$000	$000	$000	$000
P Bunce	119,266	8,484	-	-	-	-	-	127,750
E Hawton	106,246	6,306	-	-	-	-	-	112,552
L Kalnin	42,310	2,766	-	-	-	-	-	45,076
G Pynt	61,126	1,500	-	-	-	-	-	62,626
Totals	328,948	19,056	-	-	-	-	-	348,004

Specified Executives' Remuneration

2004	Primary				Post Employment	Equity	Other	Total
	Salary & Fees	Super Contribution	Cash Bonus	Non-Cash Benefits	Super-annuation	Options		
	$000	$000	$000	$000	$000	$000	$000	$000
P Bunce	123,853	10,734	-	5,776	-	-	5,493	145,856
L N Kalnin	53,383	5,783	-	-	-	-	3,297	62,463
G D Pynt	12,500	1,125	-	-	-	-	3,297	16,922
Totals	189,736	17,642	-	5,776	-	-	12,087	225,241

The service and performance criteria set to determine remuneration are included per Note (h).

d. Remuneration Options

Options Granted As Remuneration

				Terms & Conditions for each Grant			
	Vested No.	Granted Number	Grant Date	Value per Option at Grant Date	First Exercise Price	Exercise Date	Last Exercise Date
Parent Entity Directors	-	-	-	-	-	-	-
Specified Executives	-	-	-	-	-	-	-
	-	-					

e. Shares Issued on Exercise of Remuneration Options

Options Granted As Remuneration

	No. of ordinary shares issued	Amount paid per share	Amount unpaid per share
Parent Entity Directors	-	-	-
Specified Executives	-	-	-
	-	-	-

f. Options and Rights Holdings

Number of Options held by specified Directors and Executives

	Balance 1.7.04	Granted as Remuneration	Options Lapsed *	Net Change Other#	Current Balance	Total Vested	Total Exercisable	Total Un Exercisable
Parent Entity Directors								
FD O'Sullivan	5,382,565	-	5,382,565	15,625	15,625	15,625	15,625	-
E J Picton-Warlow	250,000	-	-	-	250,000	250,000	250,000	-
D A Sims	5,032,825	-	5,032,825	14,063	14,063	14,063	14,063	-
T P Strahan	385,000	-	135,000	34,375	284,375	284,375	284,375	-
D J Whitelaw	250,000	-	-	15,625	265,625	265,625	265,625	-
Specified Executives	-	-		-	-	-	-	-
Total	11,300,390	-	10,550,390	79,688	829,688	829,688	829,688	-

* $0.35 cent options exercisable on 28 February 2005 expired, and the officers holdings of 10,550,390 lapsed.

#The net change other reflected above includes those options that were issued through the Directors participation in the Shareholder Share Placement Plan which closed on 9 September 2005.

(g) Shareholdings

Number of Shares held by Parent Entity Directors and Specified Executives

	Balance 1.7.04	Received as Remuneration	Options Exercised	Net Change Other*	Current Balance
Parent Entity Directors					
F D O'Sullivan	16,955,001	-	-	31,250	16,986,251
E J Picton-Warlow	-	-	-	-	-
D A Sims	28,765,002	-	-	28,125	28,793,127
T P Strahan	766,800	-	-	68,750	835,550
D. Whitelaw	100,000	-	-	31,250	131,250
Specified Executives					
P Bunce	2,250,000	-	-	-	2,250,000
L N Kalnin	2,294,000	-	-	(2,294,000)	-
G D Pynt	172,000	-	-	-	172,000
Total	51,302,803	-	-	(2,134,625)	49,168,178

* Net Change other refers to shares purchased or sold during the financial year and to the 28 September 2005.

(h) Remuneration Practices

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and specified directors and executives are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to date of retirement.

The group seeks to emphasize payment for results through providing various cash bonus reward schemes, specifically, the incorporation of incentive payments based on performance. The objective of the reward scheme is to reinforce the short and long-term goals of the company and to provide a common interest between management and shareholders.

	Note	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
6. REMUNERATION OF AUDITORS					
Remuneration of the auditor of the Parent entity for:					
- auditing or reviewing the financial report		**44,451**	35,775	**26,749**	8,740
- other services		**3,255**	16,980	**3,255**	11,995
		47,706	52,755	**30,004**	20,735
Remuneration of other auditors of subsidiaries for:					
- auditing or reviewing the financial report		**38,261**	-	-	-
		85,967	52,755	**30,004**	20,735

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

7. EARNINGS PER SHARE

	Economic Entity	
	2005	2004
	$	$
(a) Reconciliation of earnings to net profit or loss		
Net loss	**(1,928,929)**	(967,848)
Earnings/(loss) used in the calculation of basic EPS	**(1,928,929)**	(967,848)
(c) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	**122,021,156**	114,171,643

Options convertible to ordinary shares are not considered to be dilutive as their exercise will not result in a diluted earnings per share.

	Economic Entity		Parent Entity	
	2005	2004	**2005**	2004
8. CASH ASSETS	**$**	$	**$**	$
Cash on hand	**2,094**	422	**431**	118
Deposits at call	**1,342,653**	3,020,110	**1,127,872**	3,020,110
Cash at bank	**482,090**	760,741	**99,860**	200,548
	1,826,837	3,781,273	**1,228,163**	3,220,776
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:				
Cash	**1,826,837**	3,781,273	**1,228,163**	3,220,776
Bank Overdraft	**(39,009)**	(14,531)	**-**	-
	1,787,828	3,766,742	**1,228,163**	3,220,776
9. RECEIVABLES				
CURRENT				
Trade Debtors	**1,387,182**	1,088,480	**-**	-
Provision for doubtful debts	**(52,373)**	(1,000)	**-**	-
	1,334,809	1,087,480	**-**	-
Other debtors	**20,822**	36,942	**-**	30,976
Amount receivable from wholly owned subsidiary	**-**	-	**-**	-
	1,355,631	1,124,422	**-**	30,976
NON CURRENT				
Amount receivable from wholly owned subsidiaries	-	-	**6,414,424**	5,921,030
	-	-	**6,414,424**	5,921,030
10. OTHER ASSETS				
CURRENT				
Prepayments	**188,143**	87,805	**158,641**	50,519
Total Current	**188,143**	87,805	**158,641**	50,519
NON-CURRENT				
Research & Development at cost				
-Balance at the beginning of the year	**672,343**	279,419	**538,539**	145,615
-additions and acquisitions	**94,427**	392,924	**94,427**	392,924
	766,770	672,343	**632,966**	538,539
Deposits	**763,381**	258,536	**968,094**	258,536
Formation Expenses	**3,500**	3,500	**2,000**	2,000
Total Non Current	**1,533,651**	934,379	**1,603,060**	799,075
11. INVENTORIES				
CURRENT AT COST				
-Raw Materials	**313,706**	242,311	**-**	-
-Finished Goods	**1,872,129**	2,109,463	**-**	-
-Consumables on hand	**-**	11,744	**-**	-
	2,185,835	2,363,518	**-**	-

12. INVESTMENTS ACOUNTED FOR USING THE EQUITY METHOD

-Associated Companies	-	55,712	-	-
	-	55,712	-	-

13. ASSOCIATED COMPANIES

-Associated Companies

Interests are held in the following associated companies

Name	Principal Activities		Ownership Interest 2005 %	2004 %	Carrying Amount of Investment 2005 $000	2004 $000
Unlisted						
Eastland Medical Systems plc	Medical Distribution	Ord	**41%**	47%	-	55,712
Health In Form	Medical Distribution	Ord	**45%**	-	**10**	-

		Economic Entity 2005 $000	2004 $000	Parent Entity 2005 $000	2004 $000
a.	**Movements during the Year in Equity Accounted Investments in Associated Companies**				
	Balance at beginning of the financial year	**55,712**	-	-	-
add	New investments during the year	**10**	268,719	-	-
	Share of associated company's loss from ordinary activities and extraordinary items after income tax	**(55,712)**	(213,007)	-	-
	Share of associated company's reserve increments arising during the year	-	-	-	-
less	Dividend revenue from associated company	-	-	-	-
	Disposals during the year	-	-	-	-
	Balance at end of the financial year	**10**	55,712	-	-
b.	**Retained Earnings Attributable to Associate**				
	Share of associate's profit from ordinary activities before income tax expense	**(55,712)**	(213,007)	-	-
	Share of associate's income tax expense		-	-	-
	Share of associate's loss from ordinary activities after income tax	**(55,712)**	(213,007)	-	-
	Share of retained profits at beginning of the financial year	-	-	-	-
	Dividends received	-	-	-	-
	Share of retained losses at end of the financial year	**(55,712)**	(213,007)	-	-
c.	**Reserves Attributable to Associate**				
	Asset revaluation reserve	-	-	-	-
	Balance at the beginning of the financial year	-	-	-	-
	Share of reserve increments	-	-	-	-
	Balance at the end of the financial year	-	-	-	-
d.	**Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associates**				
	Current Assets	**35,540**	14,260	-	-
	Non-current Assets	**667,639**	845,486	-	-
	Total Assets	**703,179**	859,746	-	-
	Current Liabilities	**85,818**	120,856	-	-
	Non-current Liabilities	**447,682**	331,020	-	-
	Total Liabilities	**533,500**	451,876	-	-
	Net Assets	**169,679**	407,870	-	-
	Net loss from ordinary activities after income tax of associates	**(55,712)**	(213,281)	-	-

e. Ownership interest in Eastland Medical Systems plc at that company's balance date was 41% of ordinary shares. The reporting date of Eastland Medical Systems plc is 30 June 2005.

	Note	Economic Entity		Parent Entity	
14. PROPERTY, PLANT & EQUIPMENT		**2005**	2004	**2005**	2004
Land and Buildings		**$**	$	**$**	$
- At Cost -Freehold Land		**100,000**	100,000	-	-
-Buildings		**570,000**	570,000	-	-
Total Land & Buildings	19(c)	**670,000**	670,000	-	-
Plant and Equipment					
-At Cost		**663,584**	613,899	**100,587**	100,587
-Accumulated depreciation		**(404,956)**	(310,213)	**(42,140)**	(34,888)
		258,628	303,686	**58,447**	65,699
Office Furniture					
-At Cost		**91,125**	70,343	**45,525**	45,525
-Accumulated depreciation		**(23,793)**	(19,741)	**(13,691)**	(10,387)
		67,332	50,602	**31,834**	35,138
Leased Plant and Equipment					
-Capitalised leased assets		**21,475**	21,475	**21,475**	21,475
-Accumulated depreciation		**(6,229)**	(4,081)	**(6,229)**	(4,081)
		15,246	17,394	**15,246**	17,394
Leasehold Property Improvements					
-At cost		**49,794**	13,843	-	-
-Accumulated depreciation		**(2,540)**	(1,452)	-	-
		47,254	12,391	-	-
Leased Motor Vehicle					
-Capitalised leased assets		**50,155**	50,155	-	-
-Accumulated depreciation		**(19,324)**	(4,138)	-	-
		30,831	46,017	-	-
Motor Vehicles					
-At Cost		**99,388**	70,673	-	-
-Accumulated depreciation		**(30,373)**	(25,533)	-	-
		69,015	45,140	-	-
Leased Office Furniture					
-Capitalised leased assets		**56,761**	72,999	**46,297**	46,297
-Accumulated depreciation		**(33,819)**	(30,763)	**(28,634)**	(18,364)
		22,942	42,236	**17,663**	27,933
Total Plant & Equipment		**511,248**	517,466	**123,190**	146,164
Total Property, Plant and Equipment		**1,181,248**	1,187,466	**123,190**	146,164

MOVEMENT IN CARRYING AMOUNTS

MOVEMENTS IN THE CARRYING AMOUNTS FOR EACH CLASS OF PROPERTY, PLANT & EQUIPMENT BETWEEN THE BEGININNG AND END OF THE FINANCIAL YEAR.

Economic Entity	**Land and Building**	**Plant & Equipment**	**Office Furniture**	**Motor Vehicles**
	$	$	$	$
Balance at beginning of year	670,000	303,686	50,602	45,140
Additions	-	44,705	30,459	28,715
Disposals	-	-	-	-
Depreciation	-	(89,763)	(13,729)	(4,840)
Carrying amount at end of year	670,000	258,628	67,332	69,015

Economic Entity	**Leasehold Property Improvement**	**Leased Motor Vehicle**	**Leased Plant & Equipment**	**Leased Office Furniture**	**Total**
	$	$	$	$	**$**
Balance at beginning of year	12,391	46,017	17,394	42,236	**1,187,466**
Additions	35,951	-	-	-	**139,830**
Disposals	-	-	-	-	**-**
Depreciation	(1,088)	(15,186)	(2,148)	(19,294)	**(146,048)**
Carrying amount at end of year	47,254	30,831	15,246	22,942	**1,181,248**

MOVEMENT IN CARRYING AMOUNTS (CONT)

Parent Entity	Land and Building	Plant & Equipment	Office Furniture	Motor Vehicles
	$	$	$	$
Balance at beginning of year	-	65,699	35,138	-
Additions	-	3,351		-
Disposals	-	-	-	-
Depreciation	-	(10,603)	(3,304)	-
Carrying amount at end of year	-	58,447	31,834	-

Parent Entity	Leasehold Property Improvement	Leased Motor Vehicle	Leased Plant & Equipment	Leased Office Furniture	Total
	$	$	$	$	$
Balance at beginning of year	-	-	17,394	27,933	**146,164**
Additions	-	-	-	-	**3,351**
Disposals	-	-	-		**-**
Depreciation	-	-	(2,148)	(10,270)	**(26,325)**
Carrying amount at end of year	-	-	15,246	17,663	**123,190**

	Note	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
15. INTANGIBLE ASSETS		**$**	$	**$**	$
Goodwill at cost		**4,565,828**	4,210,000	**-**	-
Goodwill on consolidation		**69,060**	69,060	**-**	-
Accumulated amortisation		**(457,534)**	(194,225)	**-**	-
		4,177,354	4,084,835	**-**	-
Patents, trademarks & licences at cost		**2,502,659**	2,476,159	**2,192,659**	2,166,159
Accumulated amortisation		**-**	-	**-**	-
		2,502,659	2,476,159	**2,192,659**	2,166,159
		6,680,013	6,560,994	**2,192,659**	2,166,159
16. OTHER FINANCIAL ASSETS					
Unlisted Investments at cost					
-Shares in controlled entities	17	**-**	-	**737,717**	737,717
-Shares in associate		**-**	-	**-**	452,492
		-	-	**737,717**	1,190,209

17.CONTROLLED ENTITIES

	Country of Incorporation	Percentage owned % 2005	2004
(a) Controlled Entities			
Parent Entity:			
Eastland Medical Systems Ltd	Australia		
Subsidiaries of Eastland Medical Systems Ltd:			
-Eastland Medical Research Pty Ltd -Formerly Altona Medical Research	Australia	100%	100%
-Medical Industries Australia Pty Ltd -Formerly Heatwave Corporation	Australia	100%	100%
-Portland Surgical Products Pty Ltd	Australia	100%	100%

(b) Controlled Entities Acquired

Nil

18 . PAYABLES	Note	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
CURRENT					
Unsecured liabilities		**$**	$	**$**	$
-Trade creditors		**516,887**	620,477	**247,035**	121,693
-Amount payable to Other Related Parties		**-**	28,137	**-**	-
		516,887	648,614	**247,035**	121,693

19. INTEREST BEARING LIABILITIES

		Economic Entity		Parent Entity	
CURRENT		**2005**	2004	**2005**	2004
Unsecured Liabilities		**$**	$	**$**	$
- Lease liabilities	24(b)	**11,800**	33,769	-	24,512
- Hire purchase		**65,819**	22,123	-	-
Secured Liabilities					
- Bank Overdraft	19(b),19(c)	**39,009**	14,531	-	-
- Trade Finance Facility	19(d)	**1,896,632**	1,468,018	-	-
		2,013,260	1,538,441	-	24,512
NON- CURRENT					
Unsecured Liabilities					
- Lease liabilities	24(b)	-	14,384	-	-
- Hire Purchase		**21,402**	40,831	-	-
- Development Loan	19(a)	**175,517**	159,561	-	-
Secured Liabilities					
- Bank Term Loan	19(b),19(c)	**235,000**	235,000	-	-
		431,919	449,776	-	-

(a) The development loan provided by the Victorian Department of State Development to develop intellectual property over 10 years ago. There are no set terms of repayment. Interest of 10% is accrued on the loan as at 30 June 2005.

Total current & non current secured liabilities				
- Bank Overdraft	**39,009**	14,531	-	-
- Trade Finance Facility	**1,896,632**	1,468,018	-	-
- Bank Term Loan	**235,000**	235,000	-	-
	2,170,641	1,717,549	-	-
(b) The carrying amount of non current assets pledged as security are				
First Mortgage Freehold Land and Buildings	**670,000**	670,000	-	-

(c)The Bank Overdraft of $65,000 and Term Loan of $235,000 of the subsidiary (Portland Surgical Products Pty Ltd) are secured by a first mortgage over its freehold property at 9-15 Beverley Street, Portland, 3305, Victoria.
The Company obtained an updated market appraisal in March 2005 of the Portland property from Hedditch First National Real Estate of Portland, who reconfirmed their previous property appraisal.

(d) Trade Finance Facility of $2.0 million of the subsidiary (Medical Industries Australia Pty Ltd (MIA)) is secured by a charges over MIA's Assets and a term deposit by Eastland of $1.0 million

20. PROVISIONS

	Economic Entity		Parent Entity	
	2005	2004	**2005**	2004
CURRENT	**$**	$	**$**	$
Employee entitlements	**233,190**	100,102	**39,519**	26,425
	233,190	100,102	**39,519**	26,425
NON CURRENT				
Employee entitlements	**31,521**	83,741	-	-
	31,521	83,741	-	-
Number of employees at year end	**44**	37	**6**	6

21. CONTRIBUTED EQUITY

	2005 $	2004 $	2005 Shares	2004 Shares
(a) Fully paid ordinary shares	**16,758,865**	16,380,250	**122,530,359**	121,169,122

(b) Movements in issued and paid up ordinary share capital of the Company over the past year were as follows:

Date		Note	No. of Shares	Issue Price	$
01/07/2003	At beginning of the reporting period		121,169,122		16,380,250
	Shares issued during the year				
06/07/2004	Shares issued by placement	(i)	50,000	$0.33	16,500
15/11/2004	Shares issued by placement	(ii)	1,267,237	$0.2808	355,840
22/06/2005	Shares issued by placement	(iii)	44,000	$0.1426	6,275
	At reporting date		122,530,359		16,758,865

(i) The Company made a placement of 50,000 shares on 6 July, 2004 at $0.33 cents for the Patents and Trade marks of Cleensleeve.

(ii) The Company made a placement of 1,267,237 shares on 15 November, 2004, at $0.2808 cents in terms of the Business & Sale Agreement of Medical Industries Australia Pty Ltd.

(iii) The Company made a placement of 44,000 shares on 22 June, 2005, at $0.1426 cents.

22. OPTIONS

	2005 Number	2004 Number
(a) Unlisted options exercisable before 28 February 2005 at $0.35 cents		
Outstanding a beginning of year	**17,475,000**	17,525,000
Issued during the year	**25,000**	-
Exercised during the year	-	(50,000)
Lapsed during the year- expired	**(17,500,000)**	
Outstanding at end of year	**Nil**	17,475,000
(b) Unlisted options exercisable before 31 December 2005 at $0.20 cents		
Outstanding at beginning of year	**2,896,469**	-
Issued during the year	-	2,896,469
Exercised during the year	-	-
Outstanding at end of year	**2,896,469**	2,896,469
(c) Unlisted options exercisable before 31 December 2004 at $0.75 cents		
Outstanding at beginning of year	**2,249,264**	-
Issued during the year	-	2,249,264
Exercised during the year	-	-
Lapsed during the year- expired	**(2,249,264)**	-
Outstanding at end of year	**Nil**	2,249,264

23. ACCUMULATED LOSSES

	Economic Entity		Parent Entity	
	2005 $	2004 $	2005 $	2004 $
Accumulated losses at beginning of the financial year	**(3,105,355)**	(2,137,507)	**(3,027,973)**	(1,906,016)
Net loss attributable to the members of the parent entity	**(1,928,929)**	(967,848)	**(1,559,592)**	(1,121,956)
Accumulated losses at end of the financial year	**(5,034,284)**	(3,105,355)	**(4,587,565)**	(3,027,972)

24. LEASING COMMITMENTS

(a)Operating Lease Commitments

-Non cancellable operating leases contracted for but not capitalised in the financial statements				
Payable:				
-Not later than one year	**238,082**	92,618	**76,336**	83,964
-Later than one year but not more than five years	**399,808**	153,934	**76,336**	153,934
Total operating lease commitments	**637,890**	246,552	**152,672**	237,898

The Entity Property Lease is for a three year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to be reviewed annually in line with the CPI. An option exists to renew the lease at the end of the three year term for an additional three year term.

		Economic Entity		Parent Entity	
		2005	2004	**2005**	2004
(b) Finance Lease Commitments		**$**	$	**$**	$
Payable:					
Plant and Equipment					
-Not later than one year		**45,960**	39,391	-	27,319
-Later than one year but less than five years		-	14,734	-	-
Motor Vehicles					
-Not later than one year		**58,831**	25,984	-	-
-Later than one year but less than five years		-	44,016	-	-
Minimum lease payments:		**104,791**	124,125	-	27,319
Less future finance charges		**(5,770)**	(13,018)	-	(2,807)
Total lease liability	18	**99,021**	111,107	-	24,512

The Finance Leases are over a 3 year term with lease payments payable monthly in advance and a residual payment of 10% due on completion.

(c) Capital Expenditure Commitments

Capital expenditure commitments contracted for:				
Plant and equipment purchases	**379,292**	379,292	**379,292**	379,292
	379,292	379,292	**379,292**	379,292
Payable				
- not later than 1 year	**379,292**	379,292	**379,292**	379,292
	379,292	379,292	**379,292**	379,292

25. CONTINGENT LIABILITIES & CONTINGENT ASSETS

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

Contingent Liabilities

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 intercompany loans. The guarantees are for the term of the arrangements.	-	-	**5,146,384**	5,170,700

26. SEGMENT REPORTING

The economic entity operates predominantly in two business segments being the manufacture of parenteral devices and the distribution of medical, therapeutic and allied products within one geographic segment, Australia.

Primary Reporting - Business Segments (000's)

	Manufacturing	Distribution	Eliminations	Economic Entity
	2005	2005	2005	2005
	$000	$000	$000	$000
REVENUE				
External Sales	657	7,481		8,138
Other Revenue	8	33		41
Other Segments		60	(60)	-
Total sales revenue	665	7,574	(60)	8,179
Share of unallocated net profits of equity accounted associates & joint venture	-	-	-	(56)
Total segment revenue				8,123
Unallocated revenue				175
Total Revenue from ordinary activities				8,298
RESULT				
Segment result	(589)	361		(228)
Unallocated expenses net of unallocated revenue				(1,701)
Profit from ordinary activities before income tax expense				(1,929)
Income tax expense				-
Profit from ordinary activities after income tax expense				(1,929)
Extraordinary items after income tax expense				-
Net Profit				(1,929)
ASSETS				
Segment assets	1,620	8,142		9,762
Unallocated assets				5,189
Total Assets				14,951
LIABILITIES				
Segment liabilities	1,831	7,436	(6,068)	3,199
Unallocated liabilities				28
Total liabilities				3,227
OTHER				
Investments accounted for using the equity method				
Acquisitions of non-current segment assets	6	137	30	173
Depreciation and amortisation of segment assets	79	269	62	410
Other non-cash segment expenses				

27. CASHFLOW INFORMATION

(a) Reconciliation of cash flow from operations with loss from ordinary activities after income tax

	Economic Entity		Parent Entity	
	2005	2004	**2005**	2004
	$	$	**$**	$
Profit / (loss) from ordinary activities after income tax	**(1,928,929)**	(967,848)	**(1,559,592)**	(1,121,956)
Non-cash flows in profit /(loss) from ordinary activities:				
Depreciation of plant and equipment	**146,048**	155,637	**26,325**	21,521
Amortisation of Goodwill	**263,497**	194,225	-	-
Share of associate loss	**55,712**	213,007	-	-
Research & Development expenses	-	14,166	-	-
Profit on Sale of plant & equipment	**555**	(5,477)	-	818
Write-off of formation expenses	-	995	-	-
Interest accrued on unsecured loan	**15,956**	14,510	-	-
Changes in assets and liabilities:				
(Increase) / decrease in other receivables	**(177,311)**	109,718	**8,004**	(14,713)
(Increase) / decrease in prepayments	**(101,173)**	(14,962)	**(155,684)**	(50,519)
(Decrease) / increase in other creditors	**226,091**	243,870	-	56,768
(Increase) / decrease in inventories	**177,683**	(901,828)	**114,269**	-
Increase / (decrease) in provisions	**131,382**	7,752	**28,545**	17,685
Net cash provided by / (used in) operations	**(1,190,489)**	(936,235)	**(1,538,133)**	(1,090,396)

(b) Acquisition of entities

During the year a 45% shareholding in Health In Form (HIF), a South African distribution company was acquired by Eastland. In the previous year the company gained 100% control of Medical Industries Aust. Pty Ltd. Details of the MIA acquisition completed on 1 November 2003 are:

	Health In Form	Medical Industries
	2005	2004
	$	$
Purchase consideration	**10**	5,090,474
Cash consideration (net of overdraft acquired)	-	4,087,123
Amount due under contract of sale	**10**	-
Cash outflow	**10**	4,087,123
Assets and Liabilities held at acquisition date:		
Cash / (Bank overdraft)	-	3,352
Receivables	-	1,131,388
Prepayments	-	66,458
Inventories	-	1,260,679
Property, Plant and Equipment	-	104,124
Intellectual Property	-	10,000
Creditors	-	(1,622,322)
Goodwill	-	4,210,000
Provisions	-	(73,205)
	10	5,090,474

Non-Cash Financing and Investing Activities

2004 Share Issue - 2,508,000 ordinary shares were issued at $0.43592 as part of the initial purchase consideration for the acquisition of Medical Industries Australia Pty Ltd.

2005 Share Issue – 1,267,237 ordinary shares were issued at $0.2808 (value of $355,840) as a final adjustment in terms of the Business & Sale Agreement.

	Economic Entity		Parent Entity	
(c) Credit standby arrangement with Bank	**2005**	2004	**2005**	2004
Credit Facility	**$**	$	**$**	$
Bank overdraft & Term Loan	**300,000**	300,000	-	-
Amount utilised	**(274,009)**	(249,531)	-	-
Unused Credit Facility	**25,991**	50,469	-	-

Bank Overdraft facilities are arranged with Bank of Melbourne with general terms and conditions being set and agreed to annually. Term Loan facility with Bank of Melbourne approved on an interest only basis until April 2006, then on a Principal & Interest reduction basis over 10 years. Refer to Note 19.

(d) Trade Finance Facility	2005	2004	2005	2004
Credit facility provided to Medical Industries Aust.	$	$	$	$
Credit Facility	2,000,000	1,500,000	-	-
Amount utilised	(1,896,632)	(1,468,018)	-	-
Unused Credit Facility	(103,368)	(31,982)	-	-

Trade Finance Facilities are arranged with Westpac Banking Corporation with terms and conditions being set and agreed to annually. Refer to Note 19.

28. RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.	$	$	$	$
(a) Director related entities				
General Development Corporation Pty Ltd , a company of which Mr. F.D. O'Sullivan is a director and over which he has significant influence:				
Airfares & Accommodation – J. O'Sullivan for travel to South Africa	-	2,952	-	2,952
Freezone Pty Ltd, a company of which Mr. D. Sims is a director and over which he has significant influence:				
Consultancy Fees – for provision of services	-	4,000	-	4,000
Eastland Technology Australia Ltd (ETA), a Company of which Mr. D. Sims is a director and over which he has significant influence: Acquisition of Patents from ETA for the additional Territories for Eastland's safe devices of Japan, South Korea & South Africa. This transaction was approved at a general meeting shareholders held on 29 July 2003.	-	400,000	-	400,000

29. FINANCIAL INSTRUMENTS

Interest Rate Risk

The economic entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities both recognised and unrecognised at the balance date are as follows:

Financial Instruments	Floating Interest rate		Fixed interest rate maturing In 1 yr or less		Fixed interest rate maturing In 1 to 5 years		Non-interest bearing		Total carrying Amount as per the statement of financial position		Weighted av. effective Interest rate	
	2005 $	2004 $	2005 $	2004 $	2005 $	2004 $	2005 $	2004 $	2005 $	2004 $	2005 %	2004 %
(i) Financial Assets												
Cash	482,090	760,741	-	-	-	-	2,094	422	484,184	761,163	3.45	3.5
Deposit	-	-	1,342,653	3,020,110	-	-	-	-	1,342,653	3,020,110	5.46	5.3
Receivables	-	-	-	-	-	-	1,355,631	1,124,422	1,355,631	1,124,422	-	-
Prepayments	-	-	-	-	-	-	188,143	87,805	188,143	87,805	-	-
Total Financial Assets	482,090	760,741	1,342,653	3,020,110	-	-	1,545,868	1,212,649	3,370,611	4,993,500		
(ii) Financial Liabilities												
Sundry creditors & accruals	-	-	-	-	-	-	516,887	648,614	516,887	648,614	-	-
Hire Purchase	-	-	65,819	22,123	21,402	40,831	-	-	87,221	62,954	8.32	8.24
Leasing liability	-	-	11,800	24,512	-	23,641	-	-	11,800	48,153	10.00	7.31
Overdraft	39,009	14,531	-	-	-	-	-	-	39,009	14,531	8.50	8.45
Term Loan	235,000	235,000	-	-	-	-	-	-	235,000	235,000	8.10	8.05
Trade Finance	1,896,632	1,468,018	-	-	-	-	-	-	1,896,632	1,468,018	9.17	9.25
Development Loan	175,517	-	-	-	-	159,561	-	-	175,517	159,561	10.00	10.0
Total Financial Liabilities	2,346,158	1,717,549	77,619	46,635	21,402	224,033	516,887	648,614	2,962,066	2,636,831		

(a) Forward Exchange Contracts

The economic entity enters into forward exchange contracts to buy and sell specified amounts of foreign currencies in the future as stipulated exchange rates. The objective in entering the forward exchange contracts is to protect the economic entity against unfavourable exchange rate movements for both the contracted and anticipated future sales and purchases undertaken in foreign currencies.

The accounting policy in this regard to forward exchange contracts is detailed in Note 1 (o)

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

	Sell Australian Dollars		Average Exchange Rates	
Letters of Credit Established.				
Buy United States Dollars				
Settlement	**2005**	2004	**2005**	2004
	$	$	**$**	$
Less than 6 Months	**514,326**	**721,751**	**0.770**	0.695
Trade Finance Facility.				
Less than 6 Months	**1,382,306**	**746,267**		
	1,896,632	**1,468,018**		

(b) Net Fair Values

The aggregate net fair values of financial assets and financial liabilities both recognised and unrecognised at the balance date are as follows:

	Total carrying amount as per statement of financial position		**Aggregate net fair value**	
	2005	2004	**2005**	2004
	$	$	**$**	$
Financial Assets:				
Cash	**1,826,837**	3,781,273	**1,826,837**	3,781,273
Receivables	**1,543,774**	1,212,227	**1,543,774**	1,212,227
Debtors				
Total Financial Assets	**3,370,611**	4,993,500	**3,370,611**	4,993,500
Financial Liabilities:				
Sundry creditors & accruals	**516,887**	648,614	**516,887**	648,614
Hire Purchase liability	**87,221**	62,954	**87,221**	62,954
Lease liability	**11,800**	48,153	**11,800**	48,153
Overdraft	**39,009**	14,531	**39,009**	14,531
Term Loan	**235,000**	235,000	**235,000**	235,000
Trade Finance Facility	**1,896,632**	1,468,018	**1,896,632**	1,468,018
Development Loan	**175,517**	159,561	**175,517**	159,561
Total Financial Liabilities	**2,962,066**	2,636,831	**2,962,066**	2,636,831

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Cash, cash equivalents and short-term investments: The carrying value approximates fair value because of their short-term to maturity.

Receivables and payable: The carrying amount less provision for doubtful debts, approximates fair value.

Finance Lease: The carrying amount approximates fair value because of their short-term maturity.

Assets and other liabilities: The carrying values approximate their net fair value. No financial assets and financial liabilities are readily traded on organised markets in standardised form.

The economic entity has no financial assets where the carrying amount exceeds net fair value at balance date.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to and forming part of the financial statements.

(c) Credit Risk Exposure

The economic entity's maximum exposures to credit risk, excluding the value of any collateral and other security at balance date in relation to each class of recognised financial asset, is the carrying value of those assets net of any provisions for doubtful debts as disclosed in the statement of financial position and notes to the financial statements.

The economic entity does not have any material credit risk exposure to any single debtor or group of debtors, under financial instruments entered into by it.

30. EVENTS SUBSEQUENT TO REPORTING DATE

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

- IMDplc shareholders approved the Distribution Agreement with Eastland and subsequent issue of 40,500,000 IMDplc ordinary shares. Based on the last trading price of IMD shares on AIM on 18 July, this investment added approximately Au$10 million capital value to Eastland shareholders. (This Equates to approximately $0.08cents per share). These shares are subject to a 12 month escrow provision.
- On 18 July 2005 a placement of 100,000 ordinary shares at $0.18 cents were allotted.
- On 5th August 2005 the Company releases a Shareholder Share Purchase Plan with a discounted issue price of $0.16cents per share.
- On 17th August 2005, Portland Surgical Products Pty Ltd entered into a $5 million Supply Contract over 5 years with a Victorian based medical distributor, Sutherland Medical Pty Ltd.
- On 22nd August 2005, Eastland entered into an Agreement with the owners of Elite Surgical Supplies Pty Ltd to purchase 80% of the share capital for ZAR 6,400,000 (A$1,280,615)
- Shareholder Share Purchase Plan "Closing Date" extended until 9 September 2005.
- On 16th September 2005 the company issued 5,796,875 ordinary shares and 2,898,479 ordinary options exercisable at $0.20cents expiring 30 November 2006 after the close of the Shareholder Share Purchase Plan.

Details of the terms and conditions of the Elite Surgical Supplies agreement of 22 August 05, are as follows;

- the purchase consideration for 80% of the Issued Capital shall be equal to 80% of the stated value of the Net Assets of the Company as agreed and as provided in the Pro-forma Balance sheet,
- purchase consideration shall be South African Rand 6.4 million (Aust$1,281 million) of which R3.7 million (Aust$0.740 million) will be in the form of cash with the balance of R2.7 million by way of 2,160,000 Eastland Medical Systems securities issued at R1.25 (Aust$0.25c) per share, subject to ASX Listing Rule Requirements. A top up provision relating to the part purchase price satisfied by the issue of Eastland shares will occur upon the Anniversary date (12 months from settlement),
- the due diligence in respect of the Business and the Assets and the financial accounts,
- the Purchaser verifying that the Company has made adequate provisions or has paid all Tax and Superannuation Commitments,
- the Vendor Dr C.J. Grobbelaar entering into a consulting and non-compete agreement with the Company and the Purchasers and the Vendor J. J. O'Toole entering into a Service Agreement and a non-compete agreement with the Company,
- the Purchaser arranging funding from a South African financial institution to provide funding for the acquisition and ongoing working capital for the Company,
- the approval of the relevant South African Government Authorities to the acquisition,
- the formal approval to this Agreement by the Board of Directors of both the Purchaser and the Vendors; and Eastland's South African distribution company "Health In Form" provides an additional channel to market for the Elite Product range.

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.

31. COMPANY DETAILS

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

Level 2 / 680 Murray Street
West Perth WA 6005
Australia

The Company is a public listed company, domiciled and incorporated in Australia.

Eastland Medical
Systems Ltd

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