13th September, 2006.

Eastland Medical Systems LTD

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

By E-Lodgement of 29 pages.

ASX ANNOUNCEMENT

PRELIMINARY FINAL REPORT
APPENDIX 4E FOR THE YEAR ENDED 30 JUNE 2006.

In accordance with Listing Rule 4.3A, we attach Appendix 4E (Preliminary Final Report of 28 pages) for the year ended 30 June 2006.

Yours sincerely,

Trevor 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

Rule, 4.3A.

Appendix 4E

Preliminary Final Report

1. Name of entity

EASTLAND MEDICAL SYSTEMS LTD

ABN	Financial year ended ('current period')
35 090 987 250	30 June 2006.

2. Results for announcement to the market.

					$A'000
2.1	Revenues from ordinary activities.	Down $1,315	15.8 %	to	$6,983
2.2	Profit (loss) from ordinary activities after tax attributable to members.	Down $1,399	84 %	to	Loss $266
2.3	Net profit (loss) for the period attributable to members.	Down $1,399	84 %	to	Loss $266
	Net Tangible Assets per security- at the end of the current period.				$0.071 cents
	Net Tangible Assets per security- at the end of the previous period.				$0.066 cents

2.4 **Dividends.**	Amount per security	Franked amount per security
Final dividend	Nil ¢	Nil ¢
Interim dividend	Nil ¢	Nil ¢

2.5	Record date for determining entitlements to the dividend.	N/a

2.6 Brief explanation of any of the figures reported above *(2.1 – 2.4)*:

This general purpose report has been prepared in accordance with Australian equivalents to International Financial Report Standards (AIFRS's) and other authorative pronouncements of the AASB, Rights Issue Group Interpretations and Corporations Act 2001.

The result for the year end was a loss of $266k; down 84% from the previous year AIFRS adjusted loss of $1,665k. Other Revenue of $1,452k from the Sale of Distribution Rights was brought to account during the financial year whilst $523k was transferred to Reserves. The result was characterised by several significant expense items which include ongoing patent costs $212k, insurance costs $187k, distribution costs $198k, occupancy expense $248k and depreciation and amortisation expenses of $159k. No dividend is payable.

This report is based on +accounts to which one of the following applies.

☐	The +accounts have been audited.	☐	The +accounts have been subject to review.
☒	The +accounts are in the process of being audited or subject to review.	☐	The +accounts have *not* yet been audited or reviewed.

EASTLAND MEDICAL SYSTEMS LTD
ABN 35 090 987 250

PRELIMINARY FINAL REPORT

APPENDIX 4E

OPERATING RESULTS

The operating loss for Eastland Medical Systems Ltd ("Company") and its controlled entities ("Consolidated Entity") after income tax amounted to ($265,990). (2005: Loss $1,928,929) or (2005: $1,665,432 adjusted for Australian equivalent for International Financial Reporting Standards (IFRS)).

DIVIDENDS

No dividends have been paid or declared since the start of the financial year by the Company.
The Directors have recommended that no dividend be paid by the Company in respect of the year ended 30 June 2006.

SIGNIFICANT CHANGES AND REVIEW OF OPERATIONS

Significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year are as follows;

- On 18 July 2005 a placement of 100,000 ordinary shares at $0.18 cents were allotted.
- On 19th July 2005 International Medical Devices (IMD) plc shareholders approved the Distribution Agreement with Eastland and subsequent issue of 40,500,000 IMD plc ordinary shares.
- 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 22 August 2005, Eastland entered into an Agreement with the owners of Elite Surgical Supplies Pty Ltd of South Africa to purchase 80% of the share capital for ZAR 6,400,000 (A$1,280,615)
- On the 5th August 2005 the Company announces a Shareholder Share Purchase Plan with a "Closing Date" of 9th September 2005 with a discounted issue price of $0.16 cents per share.
- On 20th September 2005, UK associate, IMD plc confirms the acquisition of Meddis Ltd with turnover of Stg £1.985 million for year end March 2005.
- At the Company's Annual General Meeting in November 2005, Mr T. Strahan did not stand for re-election.
- On 2 December 2005 Mr Peter Tiede appointed as the Finance Director.
- 31 December 2005 the company confirms 2,896,469 Unlisted Options expired.
- 8 March 2006 commences initial production of Clip On safe needle.
- 17 March 2006 moves to production phase of Retralok.
- 29 March 2006 commences production of Vetlok.
- 6 April 2006, UK associate IMD plc secures another medical distributor, Response Medical Equipment with current turnover of Stg £ 6.3 million.
- 24 April 2006 Eastland's® South African subsidiary, Eastland Medical Systems South Africa (EMSSA) confirms its intention to list on the Johannesburg Stock Exchange (JSE).
- On 11 May 2006 Eastland's® UK associate IMD plc, announces its 100% subsidiary, Response Medical Equipment increased turnover by 13% to Stg £7.2 million (A$17.6) over the previous 12 months.
- On 26 May 2006 Eastland® entered into a conditional contract to acquire 100% of West Australian medical products distributor, West coast Surgical & Medical Supplies.
- On 19 June 2006 Eastland® concludes a supply contract with Response Medical Equipment (UK) to supply 5.0 million Clip On™ Safe needle devices.

AFTER BALANCE DATE EVENTS

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

- On 7th July 2006 Mr Peter Jooste QC is appointed to the Board following the retirement of Mr. John Picton-Warlow.
- On 2nd August 2006 Eastland announces the acquisition of 50% of the share capital of Ampack Medical Pty Ltd.
- On 3 August 2006 UK associate, IMD confirms the acquisition of a 3rd medical distribution company EMS Medical. (NB. This UK medical distributor is in no way linked or associated with Eastland®)
- On 9 August 2006 the Company issues Convertible Notes to the value of $178,000.
- On 16 August 2006 the company confirms the appointment of Mr. Dermot Patterson as the new Chief Executive Officer effective 4 September 2006 replacing Mr Don O'Sullivan who retired on 8th September 2006.
- On 31 August 2006 settlement for the acquisition of 100% of Westcoast Surgical & Medical Supplies is finalised.

EASTLAND MEDICAL SYSTEMS LTD
ABN 35 090 987 250

PRELIMINARY FINAL REPORT

APPENDIX 4E

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Notes	Economic Entity 2006 $	2005 IFRS adjusted $
Revenue from ordinary activities	2, 3(b)	**8,415,789**	8,297,578
Raw Materials and Consumables used	3 (a)	**(3,786,463)**	(4,991,195)
Employee benefits expense		**(2,513,085)**	(2,194,173)
Depreciation and amortisation expense		**(158,677)**	(146,046)
Borrowing cost expense	3 (a)	**(240,516)**	(185,152)
Other expenses from ordinary activities			
Advertising & Public Relations		**(21,253)**	(85,138)
Audit and Accounting Fees		**(54,392)**	(146,005)
Australian Stock Exchange Fees, ASIC Fees & Fines		**(43,034)**	(24,624)
Distribution expenses	3 (b)	**(197,633)**	(226,408)
Legal Costs		**(53,642)**	(95,564)
Professional Fees		**(92,556)**	(247,695)
Occupancy Expense		**(274,926)**	(225,788)
Patent Costs	3 (b)	**(211,908)**	(156,812)
Telephone		**(73,013)**	(59,346)
Travelling & Accommodation Expense		**(148,863)**	(237,975)
R & D Expense		-	-
Insurance	3 (b)	**(187,340)**	(182,127)
Other Expenses		**(621,591)**	(703,250)
Share of loss of associates using the equity method	7(b)	**(2,887)**	(55,712)
Profit (Loss) from ordinary activities before income tax expense		**(265,990)**	(1,665,432)
Income tax expenses relating to ordinary activities		-	-
Profit (Loss) from ordinary activities after related income tax expense		**(265,990)**	(1,665,432)
Net Loss		**(265,990)**	(1,665,432)
Basic earnings per share	17	**($0.002)**	($0.014)
Diluted earnings per share	17	**($0.002)**	($0.014)

The accompanying notes form part of these financial statements.

EASTLAND MEDICAL SYSTEMS LTD
ABN 35 090 987 250

PRELIMINARY FINAL REPORT

APPENDIX 4E

BALANCE SHEET
YEAR ENDED 30 JUNE 2006

	Notes	Economic Entity 2006 $	2005 IFRS adjusted $
CURRENT ASSETS			
Cash assets	19 (a)	**974,826**	1,826,837
Receivables	4	**1,011,749**	1,355,631
Financial assets	8	**1,220,484**	-
Other	11	**14,827**	188,143
Inventories	5	**2,697,881**	2,185,835
TOTAL CURRENT ASSETS		**5,919,767**	5,556,446
NON CURRENT ASSETS			
Trade & Other Receivables	4	**261,112**	-
Investments accounted for using the equity method	6	**10**	10
Financial Assets	8	**523,065**	-
Property, plant and equipment	9	**1,352,812**	1,181,248
Intangible assets	10	**7,137,735**	7,137,735
Other	11	**1,434,761**	1,533,651
TOTAL NON CURRENT ASSETS		**10,709,495**	9,852,644
TOTAL ASSETS		**16,629,262**	15,409,090
CURRENT LIABILITIES			
Payables	12	**512,137**	516,887
Interest bearing liabilities	13	**1,124,171**	2,013,260
Provisions	14	**167,824**	233,190
TOTAL CURRENT LIABILITIES		**1,804,132**	2,763,337
NON CURRENT LIABILITIES			
Interest bearing liabilities	13	**1,460,934**	431,919
Provisions	14	**12,791**	31,521
TOTAL NON CURRENT LIABILITIES		**1,473,725**	463,440
TOTAL LIABILITIES		**3,277,857**	3,226,777
NET ASSETS		**13,351,405**	12,182,313
EQUITY			
Contributed equity	15	**17,704,365**	16,758,865
Reserves		**523,065**	-
Accumulated losses	16	**(4,876,025)**	(4,576,552)
TOTAL EQUITY		**13,351,405**	12,182,313

The accompanying notes form part of these financial statements.

EASTLAND MEDICAL SYSTEMS LTD
ABN 35 090 987 250

PRELIMINARY FINAL REPORT

APPENDIX 4E

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2006

Share Capital

	Note	Ordinary	Retained Earnings	Asset Revaluation Reserve	Total
Economic Entity		$	$		$
Balance at 1 July 2004		16,380,250	(2,911,130)	-	13,469,120
Shares issued during the year		378,615	-	-	378,615
Loss attributable to members of parent entity		-	(1,665,432)	-	(1,665,432)
Sub-total		16,758,865	(4,576,552)	-	12,182,313
Dividends paid or provided for		-	-	-	-
Balance as at 30 June 2005	15	16,758,865	(4,576,552)	-	12,182,313
Shares issued during the year		945,500	-	-	945,500
Loss attributable to members of parent entity		-	(265,990)	-	(265,990)
Transfers to & from Asset Realisation		-	-	523,065	523,065
Transfers from retained earnings			(33,473)	-	(33,473)
Sub-total		945,500	(299,463)	523,065	1,169,102
Dividends paid or provided for		-	-	-	-
Balance as at 30 June 2006	15	17,704,365	(4,876,025)	523,065	13,351,415

Share Capital

	Note	Ordinary	Retained Earnings	Asset Revaluation Reserve	Total
Parent Entity		$	$		$
Balance at 1 July 2004		16,380,250	(4,587,565)	-	11,792,685
Shares issued during the year		378,615	-	-	378,615
Sub-total		16,758,865	(4,587,565)	-	12,171,300
Dividends paid or provided for		-	-	-	-
Balance as at 30 June 2005	15	16,758,865	(4,587,565)	-	12,171,300
Shares issued during the year		945,500	-	-	945,500
Profit attributable to members of parent entity		-	(195,722)	-	327,343
Transfers to & from reserve asset realisation		-	-	523,065	-
		-	-	-	-
Sub-total		945,500	(195,722)	523,065	1,272,843
Dividends paid or provided for		-	-	-	-
Balance as at 30 June 2006	15	17,704,365	(4,783,287)	523,065	13,444,143

The accompanying notes form part of these financial statements.

EASTLAND MEDICAL SYSTEMS LTD
ABN 35 090 987 250

PRELIMINARY FINAL REPORT

APPENDIX 4E

STATEMENT OF CASH FLOWS
YEAR ENDED 30 JUNE 2006

	Notes	Economic Entity 2006 $	2005 IFRS adjusted $
CASHFLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**7,418,612**	7,920,545
Payments to suppliers and employees		**(7,788,617)**	(8,562,327)
Interest received		**96,333**	133,973
Finance costs		**(267,443)**	(168,354)
Net cash provided by / (used in) operating activities	19(b)	**(541,115)**	(676,163)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property plant and equipment		**(351,525)**	(397,617)
Payment for business operations net of cash acquired		-	-
Purchase of Investments		-	(10)
Purchase of other non-current assets		**(99,211)**	(104,428)
Net cash provided by / (used in) investing activities		**(450,736)**	(502,055)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**927,500**	6,275
Proceeds of borrowings		-	-
Repayment of borrowings		**(1,044,629)**	(577,355)
Proceeds of loans		**228,257**	50,942
Advances to Associates		**(2,135)**	(280,558)
Net Cash provided by (used in) Financing Activities		**108,993**	(800,696)
Net Increase (Decrease) in cash held		**(882,858)**	(1,978,914)
Cash at the beginning of the year		**1,787,828**	3,766,742
Cash at the end of the year	19(a)	**904,970**	1,787,828

The accompanying notes form part of these financial statements.

EASTLAND MEDICAL SYSTEMS LTD
ABN 35 090 987 250

PRELIMINARY FINAL REPORT

APPENDIX 4E

First-time adoption of Australian Equivalents to International Financial Reporting Standards

Economic Entity	**Note**	**Previous GAAP at 1 July 2004** $	**Adjustment** $	**Australian Equivalents to IFRS at 1 July 2004** $
Reconciliation of Equity at 1 July 2004				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		3,781,273	-	3,781,273
Trade and other receivables		1,124,422	-	1,124,422
Inventories		2,363,518	-	2,363,518
Financial assets		-	-	-
Other current assets		87,805	-	87,805
TOTAL CURRENT ASSETS		7,357,018	-	7,357,018
NON-CURRENT ASSETS				
Trade and other receivables		-	-	-
Investments accounted for using the equity method		55,712	-	55,712
Property plant and equipment		1,187,466	-	1,187,466
Intangible assets		6,560,994	194,225	6,755,219
Other non-current assets		934,379	-	934,379
TOTAL NON-CURRENT ASSETS		8,738,551	194,225	8,932,776
TOTAL ASSETS		16,095,569	194,225	16,289,794
CURRENT LIABILITIES				
Trade and other payables		648,614	-	648,614
Short term borrowings		1,538,441	-	1,538,441
Short term provisions		100,102	-	100,102
TOTAL CURRENT LAIBILITIES		2,287,157	-	2,287,157
NON-CURRENT LIABILITIES				
Long term borrowings		449,776	-	449,776
Long-term provisions		83,741	-	83,741
TOTAL NON-CURRENT LIABILITIES		533,517	-	533,517
TOTAL LIABILITIES		2,820,674	-	2,820,674
NET ASSETS		13,274,895	194,225	13,469,120
EQUITY				
Issued capital		16,380,250	-	16,380,250
Retained earnings		(3,105,355)	194,225	(2,911,130)
Parent interest		13,274,895	194,225	13,469,120
Minority equity interest				
TOTAL EQUITY		13,274,895	194,225	13,469,120

The accompanying notes form part of these financial statements.

EASTLAND MEDICAL SYSTEMS LTD
ABN 35 090 987 250

PRELIMINARY FINAL REPORT

APPENDIX 4E

First-time adoption of Australian Equivalents to International Financial Reporting Standards

Economic Entity	Note	Previous GAAP at 30 June 2005 $	Adjustments on introduction of Australian Equivalents to IFRS $	Australian Equivalents to IFRS at 30 June 2005 $
Reconciliation of Equity at 30 June 2005				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		1,826,837	-	1,826,837
Trade and other receivables		1,355,631	-	1,355,631
Inventories		2,185,835	-	2,185,835
Financial assets		-	-	-
Other current assets		188,143	-	188,143
TOTAL CURRENT ASSETS		5,556,446	-	5,556,446
NON-CURRENT ASSETS				
Trade and other receivables		-	-	-
Investments accounted for using the equity method		-	-	-
Property plant and equipment		1,181,248		1,181,248
Intangible assets		6,680,013	457,732	7,137,745
Other non-current assets		1,533,651	-	1,533,651
TOTAL NON-CURRENT ASSETS		9,394,912	457,732	9,852,644
TOTAL ASSETS		14,951,358	457,732	15,409,090
CURRENT LIABILITIES				
Trade and other payables		516,887	-	516,887
Short term borrowings		2,013,260	-	2,013,260
Short term provisions		233,190	-	233,190
TOTAL CURRENT LAIBILITIES		2,763,337	-	2,763,337
NON-CURRENT LIABILITIES				
Long term borrowings		431,919	-	431,919
Long-term provisions		31,521	-	31,521
TOTAL NON-CURRENT LIABILITIES		463,440	-	463,440
TOTAL LIABILITIES		3,226,777	-	3,226,777
NET ASSETS		11,724,581	457,732	12,182,313
EQUITY				
Issued capital		16,758,865	-	16,758,865
Retained earnings		(5,034,284)	457,732	(4,576,552)
Parent interest		11,724,581	457,732	12,182,313
Minority equity interest				
TOTAL EQUITY		11,724,581	457,732	12,182,313

The accompanying notes form part of these financial statements.

EASTLAND MEDICAL SYSTEMS LTD
ABN 35 090 987 250

PRELIMINARY FINAL REPORT

APPENDIX 4E

First-time adoption of Australian Equivalents to International Financial Reporting Standards

Parent Entity	Note	Previous GAAP at 1 July 2004 $	Adjustment $	Australian Equivalents to IFRS at 1 July 2004 $
Reconciliation of Equity at 1 July 2004				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		3,220,776	-	3,220,776
Trade and other receivables		30,976	-	30,976
Inventories		-	-	-
Financial assets		-	-	-
Other current assets		50,519	-	50,519
TOTAL CURRENT ASSETS		3,302,271	-	3,302,271
NON-CURRENT ASSETS				
Trade and other receivables		5,921,030	-	5,921,030
Investments accounted for using the equity method		-	-	-
Other financial assets		1,190,209	-	1,190,209
Property plant and equipment		146,164	-	146,164
Intangible assets		2,166,159	-	2,166,159
Other non-current assets		799,075	-	799,075
TOTAL NON-CURRENT ASSETS		10,222,637	-	10,222,637
TOTAL ASSETS		13,524,908		13,524,908
CURRENT LIABILITIES				
Trade and other payables		121,693	-	121,693
Short term borrowings		24,512	-	24,512
Short term provisions		26,425	-	26,425
TOTAL CURRENT LAIBILITIES		172,630	-	172,630
NON-CURRENT LIABILITIES				
Long term borrowings		-	-	-
Long-term provisions		-	-	-
TOTAL NON-CURRENT LIABILITIES		-	-	-
TOTAL LIABILITIES		172,630	-	172,630
NET ASSETS		13,352,278	-	13,352,278
EQUITY				
Issued capital		16,380,250	-	16,380,250
Retained earnings		(3,027,972)	-	(3,027,972)
Parent interest		-	-	-
Minority equity interest		-	-	-
TOTAL EQUITY		13,352,278	-	13,352,278

The accompanying notes form part of these financial statements.

EASTLAND MEDICAL SYSTEMS LTD
ABN 35 090 987 250

PRELIMINARY FINAL REPORT

APPENDIX 4E

First-time adoption of Australian Equivalents to International Financial Reporting Standards

Parent Entity	**Note**	**Previous GAAP at 30 June 2005** $	**Adjustments on introduction of Australian Equivalents to IFRS** $	**Australian Equivalents to IFRS at 30 June 2005** $
Reconciliation of Equity at 30 June 2005				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		1,228,163	-	1,228,163
Trade and other receivables		-	-	-
Inventories		-	-	-
Financial assets		-	-	-
Other current assets		158,641	-	158,641
TOTAL CURRENT ASSETS		1,386,804	-	1,386,804
NON-CURRENT ASSETS				
Trade and other receivables		6,414,424	-	6,414,424
Investments accounted for using the equity method		-	-	-
Other financial assets		737,717	-	737,717
Property plant and equipment		123,190	-	123,190
Intangible assets		2,192,659	-	2,192,659
Other non-current assets		1,603,060	-	1,603,060
TOTAL NON-CURRENT ASSETS		11,071,050	-	11,071,050
TOTAL ASSETS		12,457,854	-	12,457,854
			-	
CURRENT LIABILITIES				
Trade and other payables		247,035	-	247,035
Short term borrowings		39,519	-	39,519
Short term provisions		286,554	-	286,554
TOTAL CURRENT LAIBILITIES				
NON-CURRENT LIABILITIES				
Long term borrowings		-	-	-
Long-term provisions		-	-	-
TOTAL NON-CURRENT LIABILITIES		-	-	-
TOTAL LIABILITIES		286,554	-	286,554
NET ASSETS		12,171,300	-	12,171,300
EQUITY				
Issued capital		16,758,865	-	16,758,865
Retained earnings		(4,587,565)	-	(4,587,565)
Parent interest		-	-	-
Minority equity interest		-	-	-
TOTAL EQUITY		12,171,300	-	12,171,300

The accompanying notes form part of these financial statements.

EASTLAND MEDICAL SYSTEMS LTD
ABN 35 090 987 250

PRELIMINARY FINAL REPORT

APPENDIX 4E

First-time adoption of Australian Equivalents to International Financial Reporting Standards

Economic Entity	Note	Previous GAAP $	Effect on Transition to Australian Equivalents to IFRS $	Australian Equivalents to IFRS $
Reconciliation of Profit or Loss for 2005				
Revenues from ordinary activities		8,306,245	-	8,306,245
Other revenue		(8,667)	-	(8,667)
		8,297,578	-	8,297,578
Changes to inventories of finished goods and work in progress				
Raw materials and consumables used		(4,991,195)	-	(4,991,195)
Employee benefits expense		(2,194,173)	-	(2,194,173)
Depreciation and amortisation expense		(409,543)	263,497	146,046
Borrowing costs expense		(185,152)	-	(185,152)
Impairment of property, plant and equipment		-	-	-
Other expenses from ordinary activities		(2,390,732)	-	(2,390,732)
Share of net profits of associates and joint ventures accounted for using the equity method		(55,712)	-	(55,712)
Profit from ordinary activities before income tax expense		(1,928,929)	263,497	(1,665,432)
Income tax expense relating to ordinary activities		-		-
Profit from ordinary activities after related income tax expense		(1,928,929)	263,497	(1,665,432)
Profit from continuing operations		-	-	-
Profit for the year		(1,928,929)	263,497	(1,665,432)
Profit attributable to minority interests		-		-
Profit attributable to members oft he parent entity		(1,928,929)	263,497	(1,665,432)

Parent Entity

Reconciliation of Profit or Loss for 2005	Previous GAAP $	Effect on Transition to Australian Equivalents to IFRS $	Australian Equivalents to IFRS $
Revenues from ordinary activities	117,921		117,921
	117,921	-	117,921
Changes in inventories of finished goods and work in progress			
Raw materials and consumables used	-		-
Employee benefits expense	(768,177)		(768,177)
Depreciation and amortisation expense	(26,325)		(26,325)
Borrowing costs expense	(3,111)		(3,111)
Impairment of property, plant and equipment	-		-
Other expenses from ordinary activities	(879,900)		(879,900)
Profit from ordinary activities before income tax expense	(1,559,592)		(1,559,592)
Income tax expense relating to ordinary activities	-		-
Profit from ordinary activities after related income expense	(1,559,592)		(1,559,592)
Profit attributable to members of the parent entity	(1,559,592)		(1,559,592)

Notes to the reconciliations of equity and profit and loss at 1 July 2004 and 30 June 2005	30 June 2005	1 July 2004
All goodwill amortised under previous GAAP has been reversed. Goodwill amounting to $457,732 has been reversed to retained earnings at 30 June 2005. Goodwill amounting to $263,497 previously amortised in the 2005 financial year has been reversed in the income statement for 30 June 2005	457,732	194,225

The accompanying notes form part of these financial statements.

Notes to the Preliminary Consolidated Financial Statements for the year ended 30 June 2006.

Note 1 Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations, 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 of Eastland Medical Systems Ltd and controlled entities, and Eastland Medical Systems Ltd as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety.

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

Basis of Preparation
First-time Adoption of Australian Equivalents to International Financial Reporting Standards

Eastland Medical Systems Ltd and controlled entities, and Eastland Medical Systems Ltd as an individual parent entity have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (IFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated entity accounts resulting from the introduction of IFRS have been applied retrospectively to 2006 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of Eastland Medical Systems Ltd to be prepared in accordance with Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented. The parent and consolidated entities have however elected to adopt the exemptions available under AASB 1 relating to AASB 132: Financial Instruments: Disclosure and Presentation, and AASB 139: Financial Instruments: Recognition and Measurement. Refer to Note 22 for further details.

Reconciliation's of the transition from previous Australian GAAP to IFRS have been included in this report.

Reporting Basis and Conventions
The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies
(a) Principles of Consolidation
A controlled entity is any entity Eastland Medical Systems Ltd has the power to control the financial and operating policies so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 18 to the financial statements. All controlled entities have a June financial year-end.

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

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

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

(b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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 economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Eastland Medical Systems Ltd and its 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 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) Inventories

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

(d) Property, Plant and Equipment

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

Property

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

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

Plant and equipment

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

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

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

Depreciation
The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the un-expired 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%
Plant and equipment leased to external parties	10-20%
Leased plant and equipment	10-20%

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

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

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

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

(f) Financial Instruments

Recognition
Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss
A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

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

Held-to-maturity Investments
These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets
Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities
Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments
Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

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

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

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

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

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

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

(i) Intangibles

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

Patents and trademarks
Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses.

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

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(j) Foreign Currency Transactions and Balances

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

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

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

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

Group companies

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

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

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

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

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.

Equity settled compensation

The group operates a number of share-based compensation plans. These include both a share option arrangement and an employee share scheme. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

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

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

(n) Revenue

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.

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

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

(o) Borrowing Costs

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

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

(p) Goods and Services Tax (GST)

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

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

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

(q) Comparative Figures

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

Critical accounting estimates and judgments

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

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

No impairment has been recognised in respect of goodwill for the year ended 30 June 2006. Should the projected turnover figures be outside 30% of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of goodwill at 30 June 2006 amounting to $4,635,076.

EASTLAND MEDICAL SYSTEMS LTD
ABN 35 090 987 250

PRELIMINARY FINAL REPORT

APPENDIX 4E

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2006

2. REVENUE	**Economic Entity**		**Parent Entity**	
Operating Activities	**2006**	2005	**2006**	2005
- Sale of goods	**6,886,405**	8,140,298	-	1,650
- Interest Received	**96,332**	133,973	**56,084**	112,524
- Services revenue	-	32,529	-	-
	6,982,737	8,306,800	**56,084**	114,174
Non Operating Activities				
-Gain on disposal of property plant & equip't	**(19,075)**	(2,907)	-	-
-Other revenue from non-operating activities	-	(6,315)	-	3,747
Other income	**(19,075)**	(9,222)	-	3,747
Interest Revenue from:				
-Other persons	**96,332**	133,973	**56,084**	112,524
Total interest revenue	**96,332**	133,973	**56,084**	112,524
3. PROFIT FROM ORDINARY ACTIVITIES				
(a) Expenses				
-Cost of sales	**3,786,463**	4,991,195	-	-
- Finance costs: other persons	**240,516**	185,152	-	3,111
Total finance costs	**240,516**	185,152	-	3,111
Bad and doubtful debts-other related parties	**93,844**	-	-	-
Total bad and doubtful debts	**93,844**	-	-	-
Rental expense on operating leases				
-minimum lease payments	**274,926**	225,788	**80,990**	76,33
(b) Significant Revenue & Expenses				
The following significant revenue and expense items are relevant in explaining the financial performance:				
Sale of Distribution Rights	**1,452,127**		**1,452,127**	
Patent costs	**(211,908)**	-	**(164,941)**	-
Insurance	**(187,340)**	-	**(46,323)**	-
Distribution expense	**(197,633)**	-	-	-
	855,246	-	**1,240,863**	-
4. RECEIVABLES				
Current				
Trade receivables	**1,012,749**	1,355,631	-	-
Provision for impairment of receivables	**(1,000)**	-	-	-
	1,011,749	1,355,631	-	-
Non Current				
Amounts receivable from:				
-wholly owned entities	-	-	-	-
-associated companies	**261,112**	-	**348,844**	-
	261,112	-	**348,844**	-
5. INVENTORIES				
Current at Cost				
-Raw materials & stores	**376,142**	313,706	-	-
-Finished Goods	**2,321,739**	1,872,129	-	-
	2,697,881	2,185,835	-	-
6. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD				
Associated companies	**10**	10	**452,502**	-
Interests in joint venture entities	-	-	-	-
	10	10	**452,502**	-

7. ASSOCIATED COMPANIES

Interests are held in the following associated companies

Name	Principal Activities	Country of Incorporation	Shares	Ownership Interest 2006 %	Ownership Interest 2005 %	Carrying amount of investment 2006 $	Carrying amount of investment 2005 $
Unlisted:							
Health In Form	Medical distribution	South Africa	Ord	**45**	45	**10**	10
Eastland Medical Systems plc	Medical distribution	United Kingdom	Ord	**41**	41		55,712
Eastland Medical Systems S.A.	Medical distribution	South Africa	Ord	**65**	65	-	-

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

Balance at beginning of the financial year	**10**	55,712	-	-
Add: New investments during the year		10	-	
Share of associated company's profit from ordinary activities after income tax		(55,712)	-	-
Balance at end of financial year	**10**	10	-	-

(b) Equity accounted associate profits are broken down as follows:

Share of associate's profit from ordinary activities before income tax expense	**(2,887)**	(55,712)
Share of associate's profit from ordinary activities after income tax	**(2,887)**	(55,712)

(c) Summarised presentation of Aggregate Assets, Liabilities and Performance of Associates

Current Assets	**137,878**	35,540
Non-Current Assets	**11,197**	667,639
Total Assets	**149,075**	703,179
Current Liabilities	**64,886**	85,818
Non-Current liabilities	**128,353**	447,682
Total Liabilities	**193,239**	533,500
Net Assets	**(44,164)**	169,679
Revenues	**349,779**	165,839
Profit / (loss) after income tax of associates	**(2,887)**	(55,712)

8. OTHER FINANCIAL ASSETS

	Economic Entity 2006 $	Economic Entity 2005 $	Parent Entity 2006 $	Parent Entity 2005 $
CURRENT				
Available for sale financial assets	-	-	-	-
Held to maturity financial assets	**1,220,484**	-	**1,220,484**	-
	1,220,484	-	**1,220,484**	-
NON-CURRENT				
Available for sale financial assets	-	-	**737,711**	737,717
Held to maturity financial assets	**523,065**	-	**523,065**	-
Loans and receivables	-	-	**6,483,243**	6,414,424
	523,065	-	**7,744,019**	7,152,141

(a) Available for sale financial assets Comprise

NON-CURRENT				
Unlisted investments , at cost				
- shares in controlled entities	-	-	**737,711**	737,717
- shares in associates	-	-	-	-
Total non-current available for sale financial assets	-	-	**737,711**	737,717

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

(b) Financial Assets at Fair Value Comprise:

CURRENT				
Financial Assets at fair value through profit and loss	**1,220,484**	-	**1,220,484**	-
NON-CURRENT				
Available for sale financial assets	**523,065**	-	**523,065**	-

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2006

8. OTHER FINANCIAL ASSETS (Continued)	Economic Entity		Parent Entity	
	2006	2005	**2006**	2005
NON-CURRENT	$	$	$	$
Loans and receivables	-	-	**6,483,243**	6,414,424

(c) Intercompany Loans
The repayment of intercompany loans to the Parent Company is subject to the subsidiary companies generating surplus cash and given there is no immediate repayment plan in place; this amount is considered an investment by the parent company in these subsidiary companies.

9. PROPERTY, PLANT & EQUIPMENT	Economic Entity		Parent Entity	
	2006	2005	**2006**	2005
	$	$	$	$
Land and Buildings				
Freehold land at cost	**100,000**	100,000	-	-
Total Land	**100,000**	100,000	-	-
Buildings				
-at cost	**570,000**	570,000	-	-
Less accumulated depreciation	**(14,250)**	-	-	-
Total Buildings	**555,750**	570,000	-	-
Total Land & Buildings	**655,750**	670,000	-	-
Plant and Equipment				
-At Cost	**949,593**	854,097	**275,937**	146,112
Accumulated depreciation	**(553,959)**	(459,122)	**(117,060)**	(55,831)
Accumulated impairment costs	-	-	-	-
	395,634	394,975	**158,877**	90,281
Leasehold Improvements				
-at Cost	**58,058**	49,794	-	-
Accumulated depreciation	**(11,550)**	(2,540)	-	-
	46,508	47,254	-	-
Leased Plant and Equipment				
-Capitalised leased assets	**327,830**	128,391	**80,272**	67,772
Accumulated depreciation	**(72,910)**	(59,372)	**(4,727)**	(34,863)
	254,920	69,019	**75,545**	32,909
Total plant and equipment	**697,062**	511,248	**234,422**	123,190
Total Property, Plant and Equipment	**1,352,812**	1,181,248	**234,422**	123,190

The group's land and buildings were revalued at 30 June 2006 by independent valuers. Valuations were made on the basis of open market value. Any revaluation surplus net of applicable deferred income taxes is credited to an asset revaluation reserve in shareholder's equity.

(a)	Freehold Land	Buildings	Leasehold Improvements	Plant and Equipment	Leased Plant And Equipment	Total
Economic Entity						
Balance at the beginning of year	100,000	570,000	47,254	394,975	69,019	1,181,248
Additions	-	-	8,264	86,527	285,952	380,743
Disposals	-	-	-	(14,452)	(36,050)	(50,502)
Depreciation expense	-	(14,250)	(9,010)	(104,861)	(30,556)	(158,677)
Carrying amount at the end of year	100,000	555,750	46,508	362,189	288,365	1,352,812
Parent Entity						
Balance at the beginning of year	-	-	-	90,281	32,909	123,190
Additions	-	-	-	91,614	47,363	138,977
Depreciation expense	-	-	-	(23,018)	(4,727)	(27,745)
Carrying amount at the end of year	-	-	-	158,877	75,545	234,422

(b) Impairment losses
No impairment loss recognised in the income statement during the prior period.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2006

10. INTANGIBLE ASSETS	Economic Entity		Parent Entity	
	2006	2005	**2006**	2005
Goodwill	**$**	$	**$**	$
Cost	**4,635,076**	4,635,076	**-**	-
Net carrying value	**4,635,076**	4,635,076	**-**	-
Trademarks and licences				
Cost	**2,502,659**	2,502,659	**2,192,659**	2,192,659
Net carrying value	**2,502,659**	2,502,659	**2,192,659**	2,192,659
Total intangibles	**7,137,735**	7,137,735	**2,192,659**	2,192,659

Economic Entity	Goodwill	Trademarks & Licences	Development Costs
Year ended 30 June 2004			
Balance at the beginning of year	4,279,060	2,476,159	-
Closing carrying value as at 30 June 2004	4,279,060	2,476,159	-
Year ended 30 June 2005			
Balance at the beginning of year	4,279,060	2,476,159	-
Additions	356,016	26,500	-
Closing carrying value as at 30 June 2005	4,635,076	2,502,659	-

Intangible assets, other than goodwill have finite useful lives. Goodwill has infinite life.
Goodwill is allocated to cash-generating units which are based on the group's reporting segments.

	2006	2005
Manufacturing segment	**69,060**	69,060
Distribution segment	**4,566,016**	4,566,016
Total	**4,635,076**	4,635,076

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 10 year period with the period extending beyond five years extrapolated using an estimated growth rate. The cash flows are discounted using the 10 year government bonds at the beginning of the budget period.

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

	Growth rate	Discount rate
Manufacturing segment	20.00%	4.24%
Distribution segment	20.00%	4.25%

	Economic Entity		Parent Entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
11. OTHER ASSETS				
CURRENT	**14,827**	188,143	**-**	158,641
Prepayments	**14,827**	188,143	**-**	158,641
NON-CURRENT				
Deferred Research & Development	**913,529**	766,770	**770,501**	632,966
PAP Grinding Machinery	**515,592**	763,381	**515,592**	968,094
Formation Expense	**5,640**	3,500	**2,000**	2,000
	1,434,761	1,533,651	**1,288,093**	1,603,060
12. PAYABLES				
CURRENT				
Trade payables	**291,056**	516,887	**129,703**	247,035
Sundry payables & accrued expenses	**221,081**	-	**-**	-
Total Payables	**512,137**	516,887	**129,703**	247,035

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PRELIMINARY FINAL REPORT

APPENDIX 4E

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2006

13. BORROWINGS	**Economic Entity**		**Parent Entity**	
CURRENT	**2006**	2005	**2006**	2005
Unsecured liabilities	**$**	$	**$**	$
Lease liability	**76,593**	77,619	**13,907**	-
	76,593	77,619	**13,907**	-
Secured liabilities				
Bank overdrafts	**69,858**	39,009	-	-
Bank loans	**977,720**	1,896,632	-	-
	1,047,578	1,935,641	-	-
	1,124,171	2,013,260	**13,907**	-
NON-CURRENT				
Unsecured liabilities				
Term Loans	-	175,517	-	-
Lease liability	**233,852**	21,402	**65,264**	-
	233,852	196,919	**65,264**	-
Secured liabilities				
Bank loans	**1,227,082**	235,000	-	-
	1,227,082	235,000	-	-
	1,460,934	431,919	**65,264**	-
(a) Total current and non-current secured liabilities				
Bank overdraft	**69,858**	39,009	-	-
Bank loan	**2,204,802**	2,131,632	-	-
	2,274,660	2,170,641	-	-
(b) Carrying amounts of non-current assets pledged as security are:				
First mortgage				
Freehold land and buildings	**670,000**	670,000	-	-
Floating charge over assets, including listed investments at market value.	**8,393,191**	8,142,180	-	-
	9,063,191	8,812,180	-	-

(c) The bank overdrafts of the parent entity and subsidiaries are secured by a registered first mortgage over certain freehold properties at 9-15 Beverley Street, Portland Victoria. 3305.

(d) The bank and mortgage loans are secured by registered first mortgages over certain freehold property of the parent entity and the subsidiaries.
The covenants within the bank borrowings require total bank debt not to exceed1.30:1 of total tangible assets, and borrowing costs not to exceed 3.00:1 of profit from ordinary activities before income tax and finance costs

14. PROVISIONS				
CURRENT				
Employee Entitlements				
Opening balance at beginning of year	**233,190**	100,102	**39,519**	26,425
Additional provisions raised during year	**95,086**	163,118	**61,341**	28,841
Amounts used	**(160,452)**	(30,030)	**(32,383)**	(15,747)
Balance at end of year	**167,824**	233,190	**68,477**	39,519
NON-CURRENT				
Employee Entitlements				
Opening balance at beginning of year	**31,521**	83,741	-	-
Additional provisions raised during year	**7,560**	25,122	-	-
Amounts used	**(26,290)**	(77,342)	-	-
Balance at end of year	**12,791**	31,521	-	-
Analysis of Total Provisions				
Current	**167,824**	233,190	**68,477**	39,519
Non-Current	**12,791**	31,521	-	-
	180,615	264,711	**68,477**	39,519

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

NOTES TO THE FINANCIAL STATEMENTS
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15. ISSUED CAPITAL

	Economic Entity		Parent Entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
128,427,234 (2005: 122,530,359) fully paid ordinary shares	**17,704,365**	16,758,865	**17,704,365**	16,758,865
	17,704,365	16,758,865	**17,704,365**	16,758,865

(a) Ordinary Shares

Date		**Notes**	**No. of Shares**	**Issue Price**	**$**
At the beginning of reporting period			122,530,359		16,758,865
Shares issued during year:					
18 July 05	Shares issued	(i)	100,000	$0.18	18,000
15 September	Shares issued	(ii)	5,796,875	$0.16	927,500
	Balance 30 June 2006		128,427,234		17,704,365

(i) The Company made a placement of 100,000 shares on 18 July 2005, at $0.18 cents for cash
(ii) The Company made a placement of 5,796,875 shares on 15 September, 2005, at $0.16 cents under a Shareholder Share Placement Plan.

16. ACCUMULATED LOSSES

	Economic Entity	
	2006	2005
	$	$
Accumulated losses at beginning of the year	**(4,610,035)**	(3,105,355)
Net profit /(loss) attributable to the members of the parent entity	**(265,990)**	(1,928,929)
Adjustment of Goodwill amortisation under previous GAAP	**-**	457,732
Accumulated losses at end of the financial year	**(4,876,025)**	(4,576,552)

17. EARNINGS PER SHARE

(a) Reconciliation of earnings to net profit or loss Net loss	**(265,990)**	(1,928,929)
Earnings/(loss) used in the calculation of basic EPS	**(265,990)**	(1,928,929)
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	**127,199,674**	122,021,156

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

18. CONTROLLED ENTITIES

(a) Controlled Entities Consolidated.	Country of Incorporation	Percentage Owned (%) *	
Parent Entity		**2006**	2005
Eastland Medical Systems Ltd	Australia		
Ultimate Parent Entity			
Eastland Medical Systems Ltd	Australia		
Subsidiaries of Eastland Medical Systems Listed Public Company			
Portland Surgical Products Pty Ltd	Australia	**100**	100
Medical Industries Australia Pty Ltd	Australia	**100**	100
Eastland Medical Research Pty Ltd	Australia	**100**	100
Eastland Medical (WA) Pty Ltd	Australia	**100**	-
Eastland Medical (QLD) Pty Ltd	Australia	**100**	-

* Percentage of voting power is in proportion to ownership

(b) Acquisition of Controlled Entities

Nil

19. CASH ASSETS	Economic Entity		Parent Entity	
	2006	2005	2006	2005
19(a). CASH	$	$	$	$
Cash at bank and in hand	956,326	484,184	221,971	123,163
Deposits at call	18,500	1,342,653	18,500	1,105,000
	974,826	1,826,837	240,471	1,228,163

Reconciliation of cash
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	974,826	1,826,837	240,471	1,228,163
Bank Overdraft	(69,856)	(39,009)	-	-
	904,970	1,787,828	240,171	1,228,163

CASH FLOW INFORMATION

19(b) Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities after Income Tax

	$	$	$	$
Profit / (loss) from ordinary activities after income tax	(265,990)	(1,665,432)	(195,722)	(1,559,592)
Non-cash flows in profit / (loss) from ordinary activities:				
Amortisation	-	263,497	-	-
Depreciation	158,677	146,048	27,745	26,325
Write-off of capitalised expenditure	18,000	-	18,000	-
Interest on Unsecured Loan	15,000	15,956	-	-
Net gain on disposal of property, plant & equipment	19,144	555	69	-
Unrealised gain on investments	(1,220,478)	-	(1,220,478)	-
Share of associated companies net profit /loss after income tax and dividends	2,887	55,712	-	-
Changes in assets and liabilities:				
(Increase) / decrease in trade and term receivables	244,703	(177,311)	(11,240)	8,004
(Increase) / decrease in prepayments	141,431	(101,173)	111,077	(155,684)
(Increase) / decrease in inventories	398,404	428,512	-	114,269
(Increase) / decrease in trade payables and accruals	35,117	226,091	(90,639)	-
Increase / (decrease) in provisions	(88,010)	131,382	13,506	28,545
Net cash provided by / (used in) operations	(541,115)	(676,163)	(1,347,682)	(1,538,133)

19(c) Acquisition of entities

In the previous year a 45% shareholding in Health In Form (HIF), a South African distribution company was acquired by Eastland. Details of HIF are:

Purchase consideration	10	10
Cash consideration		
Amount due under contract of sale	10	10
Cash outflow	10	10

Subsequent to year-end, but prior to approval of these financial statements, Westcoast Surgical and Medical Supplies was acquired. See Note 20 for details.

CASH FLOW INFORMATION (Continued)

19(d) Credit Standby Arrangements with Banks

	Economic Entity		Parent Entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Credit facility	**300,000**	300,000	-	-
Amount utilised	**(287,928)**	(274,009)	-	-
	12,072	25,991	-	-
The major facilities are summarised as follows:				
Bank overdrafts	**50,000**	65,000		

Bank overdraft facilities are arranged with a number of Australian Banks with the general terms and conditions being set and agreed to annually. Interest rates are variable and subject to adjustment.
Commercial Bill facility $250,000, 90 day variable interest rate facility provided by various Australian Banks.

19(e) Loan Facilities

Trade Finance	**2,000,000**	2,000,000	-	-
Amount utilised	**(1,779,285)**	(1,896,632)	-	-
The major facilities are summarised as follows:	**220,715**	103,368	-	-

Trade Finance Facility
$2,000,000 loan facility. Termination of the agreement can be effected by notice in writing from either party. Finance will be provided under all facilities provided the company and the economic entity have not breached any borrowing requirements and the required financial ratios are met.

20. EVENTS AFTER THE BALANCE SHEET DATE.

On 31 August 2006 the company acquired 100% of the net assets of West Coast Surgical and Medical Supplies, a distributor of medical products, for a purchase consideration of $2,100,000. The purchase of the net assets in the company was satisfied by the issue of 5,670,000 ordinary shares at $0.15 cents each and the cash payment of $1,429,000. The issue price was based on the market price on date of offer acceptance. The financial effect on this transaction has not been brought to account in the 2006 financial report.

	Ampack Medical Pty Ltd	Westcoast Surgical & Medical
	2006	2006
	$	$
Purchase consideration	400,000	2,100,000
Cash consideration		1,429,000
Equity issued as consideration	400,000	850,000
Total purchase	400,000	2,279,000
Fair value of assets acquired (see below)	78,480	400,000
Goodwill	321,520	1,700,000
	400,000	2,100,000
Assets and liabilities held at acquisition date:		
Cash	5,366	(87,201)
Receivables	24,631	472,582
Inventories	147,447	559,700
Property, Plant & Equipment	193,003	168,402
Payables	(291,967)	(713,483)
Net assets acquired	78,480	400,000
Purchase consideration settled in cash	-	1,429,000
Cash outflow on acquisition	-	1,429,000

The above goodwill is attributable to Ampack Medical Pty Ltd and West coast Surgical and Medical Supplies strong position and competitive advantage in the medical distribution industry. The assets and liabilities arising from the acquisition are recognised at fair value which is equal to its carrying value. West Coast Surgical and Medical Supplies settled on 31 August 2006.

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

Primary Reporting - Business Segments

	Manufacturing		Distribution		Eliminations		Economic Entity	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$000
REVENUE								
External Sales	**491**	665	**6,386**	7,514	**-**	-	**6,877**	8,179
Other Segments	**9**	-	**-**	60	**(9)**	(60)		
Total sales revenue	**500**	665	**6,386**	7,574	**(9)**	(60)	**6,877**	8,179
Unallocated revenue							**1,490**	175
Total Revenue from ordinary activities							**8,367**	8,354
RESULT								
Segment result	**(431)**	(554)	**365**	590			**(66)**	36
Unallocated expenses net of unallocated revenue							**(197)**	(1,645)
Share of net profits/loss of equity accounted associates							**(3)**	(56)
Loss from ordinary activities before income tax expense							**(266)**	(1,665)
Income tax expense							**-**	-
Loss from ordinary activities after income tax expense							**(266)**	(1,665)
Net Loss							**(266)**	(1,665)
ASSETS								
Segment assets	**1,814**	1,620	**8,393**	8,371			**10,207**	9,991
Unallocated assets							**6,422**	5,418
Total Assets							**16,629**	15,409
LIABILITIES								
Segment liabilities	**2,456**	1,831	**7,020**	7,436	**(6,476)**	(6,068)	**3,000**	3,199
Unallocated liabilities							**277**	28
Total liabilities							**3,277**	3,227
OTHER								
Investments accounted for using the equity method								
Acquisitions of non-current segment assets	**18**	6	**87**	137	**139**	30	**244**	173
Depreciation and amortisation of segment assets	**54**	79	**62**	40	**28**	62	**144**	181
Other non-cash segment expenses	-	-	-	-	-	-	-	-

Secondary reporting- Geographical segments

	Segment Revenues from external customers		Carrying Amount of segment Assets		Acquisition of Non-current Segment Assets	
	2006	2005	**2006**	2005	**2006**	2005
	$000	$000	**$000**	$000	**$000**	$000
Geographical location:						
Australia	**8,367**	8,354	**13,352**	12,182	**244**	173
	8,367	8,354	**13,352**	12,182	**244**	173

Accounting Policies

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

Intersegment Transfers

Segment revenue, expenses and result include transfers between segments. The prices charged on Intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity at an arm's length. These transfers are eliminated on consolidation

Business and Geographic Segments

Business Segments

The economic entity has the following five business segments:
- Manufacturing division manufacturers parenteral devices used in the medical industry
- Distribution division provides a range of medical devices throughout Australia

Geographical Segments
- The economic entity's business segments are located in Australia
- Only minor exports are made to other countries

Impairment Losses.
- No impairment loss was recognised as an expense for the year ended 30 June 2006.

22. CHANGE IN ACCOUNTING POLICY

The group has adopted the following accounting standards for application on or after 1 January 2005:
- AASB 132: Financial Instruments: Disclosure and Presentation; and
- AASB 139: Financial Instruments: Recognition and Measurement.

The changes resulting from the adoption of AASB 132 relate primarily to increased disclosures required under the standard and do not affect the value of amounts reported in the financial statements.

The adoption of AASB 139 has resulted in no material differences in the recognition and measurement of the group's financial instruments. The group has elected not to adjust comparative information resulting from the introduction of AASB 139 as permitted under the transition provisions of this standard. As such, previous Australian accounting standards have been applied to comparative information.

Available for sale Financial Assets.

Under AASB 139, available for sale financial assets are revalued to fair value at reporting date. All adjustments resulting from changes in fair value are taken directly to equity. If AASB 139 had been applied retrospectively, financial assets reflected at cost in the comparative year would have been adjusted to fair value as 30 June 2006. This would have no effect on the carrying value attributable to financial assets at 30 June 2006, and a corresponding increase in reserves at that date.

Derivative Financial Instruments
Under AASB 139, derivative financial instruments are measured at fair value at reporting date. Gains and losses resulting from changes to fair value are taken to the income statement unless they are designated as hedges, in which case the difference is taken directly to equity. The group held a number of forward exchange contracts at 30 June 2006. All forward contracts are designated hedges and comply with the hedge requirements under AASB 139. If AASB 139 had been applied retrospectively, no adjustments to comparative figures would have been required.

- All forward contracts have been reflected at fair value at 30 June 2006.

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

24. COMPANY DETAILS

The registered office and principal place of business of the Company is:
Level 2 / 680 Murray Street
West Perth. W.A. 6005 Australia
The Company is a public listed company, domiciled and incorporated in Australia.

DIVIDENDS

The Eastland Board has not recommended the payment of either an interim or final dividend for the year ended 30 June 2006.

DIVIDEND RE-INVESTMENT PLAN

The Company does not have a dividend re-investment plan in operation.

NET TANGIBLE ASSETS PER SECURITY

	30 June 2006	30 June 2005
The net tangible asset backing per security is:	**$0.07 cents**	$0.07 cents

DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED/LOST DURING THE YEAR

During the year ended 30 June 2006, the reporting entity did not gain nor loose control over any entities:

Entity	Date	Percentage acquired
N/a	N/a	N/a

OTHER SIGNIFICANT INFORMATION

Apart from the information contained in this report there is no other significant information available for an investor to make an informed assessment of the Company's financial performance and financial position.

FOREIGN ENTITIES

The Company and its subsidiaries are domiciled and incorporated in Australia. This Report has been prepared in accordance with the relevant Australian Accounting Standards.

AUDITED ACCOUNTS

The Accounts for Eastland Medical Systems Ltd and its Subsidiary companies are in the course of being audited. It is not anticipated that there will be any material alteration to the figures contained in this Preliminary Final report.