Eastland Medical Systems LTD
ACN 090 987 250

28th September, 2007

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

By E-Lodgement of 61 pages

Dear Sir,

Full Year Financial Accounts.

In term of Listing Rule 4.5., please find attached copy of Eastland Medical Systems Ltd Final Year Accounts for the year ended 30 June 2007.

We wish to point out that the operational loss as at 30 June 2007 of ($1,773,200) as disclosed in the Preliminary Final Report (Appendix 4E) lodged on 31 August 2007 has been adjusted by $234,163. This adjustment was brought about at the Auditors request relating to additional provisions raised against associate company loans.

Yours sincerely,

T.P. Strahan.
Company Secretary.

54 Lindsay Street
Perth 6000
Western Australia

PO Box 8027
Perth BC 6849
Western Australia

(T) 61 8 9436 9500
(F) 61 8 9436 9505
(E) eastland@eastlandmedical.com.au
(W) www.eastlandmedical.com.au

Eastland Medical Systems Ltd

ABN 35 090 987 250

Final Accounts

For the year ended

30 June 2007

EASTLAND MEDICAL SYSTEMS LTD

CORPORATE
DIRECTORY

2007

Parent Company

DIRECTORS	MR PETER JOOSTE QC MR DONALD O'SULLIVAN MR DERMOT PATTERSON MR DOUGLAS SIMS MR PETER TIEDE MR DAVID WHITELAW	
COMPANY SECRETARY	MR TREVOR STRAHAN	
MANAGEMENT	MR DERMOT PATTERSON MR DOUGLAS SIMS MR TREVOR STRAHAN MR PETER TIEDE M/S JANET BAKER	CHIEF EXECUTIVE OFFICER PRODUCT DEVELOPMENT COMPANY SECRETARY CHIEF FINANCIAL OFFICER OFFICE MANAGER
REGISTERED OFFICE	EASTLAND MEDICAL SYSTEMS LTD ABN 35 090 987 250 54 LINDSAY STREET PERTH. W.A. 6000 TELEPHONE FACSIMILE EMAIL WEBSITE	 PO Box 8027 Perth Business Centre WA 6849 (08) 9436 9500 (08) 9436 9505 eastland@eastlandmedical.com.au www.eastlandmedical.com.au
SHARE REGISTRY	ADVANCED SHARE REGISTRY SERVICES 110 STIRLING HIGHWAY NEDLANDS. W.A. 6009 TELEPHONE FACSIMILE	 PO Box 1156 Nedlands. WA 6909 (08) 9389 8033 (08) 9389 7871
AUDITORS	BENTLEYS MRI PERTH PARTNERSHIP LEVEL 1, 10 KINGS PARK ROAD WEST PERTH. W.A. 6005 TELEPHONE FACSIMILE	 (08) 9480 2000 (08) 9322 7787
BANKERS	A.N.Z. BANKING GROUP CORPORATE BANKING LEVEL 7, 77 ST GEORGES TERRACE PERTH. W. A. 6000 TELEPHONE	 (08) 9323 8480
HOME STOCK EXCHANGE	AUSTRALIAN SECURITIES EXCHANGE LTD EXCHANGE PLAZA 2 THE ESPLANADE PERTH. W.A. 6000	
	LISTING CODE : ORDINARY SHARES	EMS

WHOLLY OWNED SUBSIDARY

CORPORATE
DIRECTORY

Portland Surgical Products Pty Ltd

2007

DIRECTORS	MR DERMOT PATTERSON MR DOUGLAS SIMS MR PETER TIEDE	
COMPANY SECRETARY	MR TREVOR STRAHAN	
GENERAL MANAGER	MR ANDRE LAGADEC	
FINANCIAL CONTROLLER	MR PETER TIEDE	
REGISTERED OFFICE	54 LINDSAY STREET PERTH. W.A. 6000	
PLACE OF BUSINESS	PORTLAND SURGICAL PRODUCTS P/L ACN. 005 729 895 9-15 BEVERLEY STREET PORTLAND VICTORIA 3305 TELEPHONE FACSIMILE	 (03) 5523 3000 (03) 5523 5500
AUDITORS	BENTLEYS MRI PERTH PARTNERSHIP LEVEL 1, 10 KINGS PARK ROAD WEST PERTH. W.A. 6005 TELEPHONE FACSIMILE	 (08) 9480 2000 (09) 9322 7787
BANKERS	A.N.Z. BANKING GROUP CORPORATE BANKING LEVEL 7, 77 ST GEORGES TERRACE PERTH. W. A. 6000 TELEPHONE	 (08) 9323 8480

WHOLLY OWNED SUBSIDARY

CORPORATE
DIRECTORY

Medical Industries Australia Pty Ltd

2007

DIRECTORS	MR DERMOT PATTERSON MR EDWARD HAWTON MR PETER TIEDE	
COMPANY SECRETARY	MR TREVOR STRAHAN MR RUDHI BHINDI	
FINANCIAL CONTROLLER	MR RUDHI BHINDI	
REGISTERED OFFICE	54 LINDSAY STREET PERTH. W.A. 6000	
PLACE OF BUSINESS	MEDICAL INDUSTRIES AUSTRALIA P/L ACN. 100 452 140 UNIT C-2, 16 MARS ROAD LANE COVE N.S.W. 2066 TELEPHONE FACSIMILE	 (02) 9490 6200 (02) 9490 6298
AUDITORS	BENTLEYS MRI PERTH PARTNERSHIP LEVEL 1, 10 KINGS PARK ROAD WEST PERTH. W.A. 6005 TELEPHONE FACSIMILE	 (08) 9480 2000 (09) 9322 7787
SOLICITORS	HOLDING REDLICH LEVEL 65, M.L.C. CENTRE 19 MARTIN PLACE SYDNEY. N.S.W. 2000 TELEPHONE FACSIMILE	 (02) 8083 0388 (02) 8083 0399
BANKERS	A.N.Z. BANKING GROUP CORPORATE BANKING LEVEL 7, 77 ST GEORGES TERRACE PERTH. W. A. 6000 TELEPHONE	 (08) 9323 8480

WHOLLY OWNED SUBSIDARY

CORPORATE

DIRECTORY

Eastland Medical Research Pty Ltd

2007

DIRECTORS	MR DERMOT PATTERSON MR DOUGLAS SIMS MR PETER TIEDE	
COMPANY SECRETARY	MR TREVOR STRAHAN	
REGISTERED OFFICE	54 LINDSAY STREET PERTH. W.A. 6000	
PLACE OF BUSINESS	EASTLAND MEDICAL RESEARCH PTY LTD ACN. 092 990 200 54 LINDSAY STREET PERTH. W.A. 6000 TELEPHONE FACSIMILE	 (08) 9436 9500 (08) 9436 9505
AUDITORS	BENTLEY'S MRI PERTH PARTNERSHIP LEVEL 1, 10 KINGS PARK ROAD WEST PERTH. W.A. 6005 TELEPHONE FACSIMILE	 (08) 9480 2000 (09) 9322 7787
BANKERS	A.N.Z. BANKING GROUP CORPORATE BANKING LEVEL 7, 77 ST GEORGES TERRACE PERTH. W. A. 6000 TELEPHONE	 (08) 9323 8480

WHOLLY OWNED SUBSIDARY

CORPORATE
DIRECTORY

Eastland Medical (W.A.) Pty Ltd 2007

DIRECTORS	MR CRAIG INGLIS MR DOUGLAS SIMS MR PETER TIEDE	
COMPANY SECRETARY	MR TREVOR STRAHAN	
FINANCIAL CONTROLLER	MR PETER TIEDE	
REGISTERED OFFICE	54 LINDSAY STREET PERTH. W.A. 6000	
PLACE OF BUSINESS	EASTLAND MEDICAL (W.A.) PTY LTD ACN. 119 200 672 TRADING AS: WESTCOAST SURGICAL & MEDICAL SUPPLIES 56 CATALANO CIRCUIT CANNING VALE. W.A. 6155 TELEPHONE FACSIMILE	 (08) 9455 6676 (08) 9455 6686
AUDITORS	BENTLEY'S MRI PERTH PARTNERSHIP LEVEL 1, 10 KINGS PARK ROAD WEST PERTH. W.A. 6005 TELEPHONE FACSIMILE	 (08) 9480 2000 (09) 9322 7787
BANKERS	BANKWEST BALCATTA BUSINESS BANKING CENTRE LEVEL 1, 199 BALCATTA ROAD BALCATTA. W. A. 6014 TELEPHONE	 (08) 9240 3622

WHOLLY OWNED SUBSIDARY

CORPORATE
DIRECTORY

Eastland Medical (Qld) Pty Ltd

2007

DIRECTORS	MR DERMOT PATTERSON MR DOUGLAS SIMS MR PETER TIEDE	
COMPANY SECRETARY	MR TREVOR STRAHAN	
REGISTERED OFFICE	54 LINDSAY STREET PERTH. W.A. 6000	
PLACE OF BUSINESS	EASTLAND MEDICAL (QLD) PTY LTD ACN. 119 200 663 54 LINDSAY STREET PERTH. W.A. 6000 TELEPHONE FACSIMILE	 (08) 9436 9500 (08) 9436 9505
AUDITORS	BENTLEY'S MRI PERTH PARTNERSHIP LEVEL 1, 10 KINGS PARK ROAD WEST PERTH. W.A. 6005 TELEPHONE FACSIMILE	 (08) 9480 2000 (08) 9322 7787
BANKERS	A.N.Z. BANKING GROUP CORPORATE BANKING LEVEL 7, 77 ST GEORGES TERRACE PERTH. W. A. 6000 TELEPHONE	 (08) 9323 8480

C O N T E N T S

Corporate Directory

Chairman's Report

Fellow Stakeholders,

On behalf of Eastland® and its Board, I have pleasure in presenting the Annual Report for the year ended 30 June 2007.

The past year has been both challenging and exciting for Eastland®. As part of a focussed effort to be more easily understood by stakeholders and the market, the Company now has 4 Divisions – Pharmaceutical, Safe Medical Devices, Distribution, and Manufacturing.

The Company grew its domestic *distribution and manufacturing* operations, concluding –

- ► the 50% acquisition of Ampack Medical Pty Ltd, a sterile barrier products manufacturer, and
- ► the 100% acquisition of WestCoast Surgical & Medical Supplies, a medical products distributor.

The Board and Management have formulated specific strategies to eliminate operational shortfalls in entity budgets where underperformance is detracting from overall results, and are increasingly committed to ensuring enhanced revenue streams and Shareholder value.

Late in 2006 the Company secured the opportunity to launch the operations of *a new Pharmaceutical Division.*

This initiative gathered pace when early in 2007 the Company realised it's investment in International Medical Devices (IMD), an AIM listed company in the United Kingdom. A return of A$2.5 million to the Company enabled Eastland® to take advantage of further investment opportunities:

- □. The exclusive manufacture and distribution of a new Anti-Malaria treatment ArTiMist™ to Asia, India and Pacific Region,
- □. The exclusive Manufacturing Licence for the Anti-Malaria treatment for Africa.

Further negotiations during May 2007 with U.K. scientist Mr Calvin Ross, again spearheaded by director Doug Sims, secured the exclusive distribution rights to the new Anti-Smoking therapy NiCoSorb™.

Both these unique pharmaceutical treatments along with ClipOn™, our current safe needle, have the potential to earn significant revenue streams for Eastland® and its Associate Companies.

In the course of these transactions Eastland® has accumulated a 40% holding in the German pharmaceutical company HC Berlin Pharma AG.

By utilising the German high tech manufacturing facilities as part of the Group's preparation for market entry of ArTiMist™, further benefits are anticipated.

In the *Safe Medical Devices Division*, progress has been made with the production of ClipOn™ to commence in early 2008. A number of innovative changes reducing the number of ClipOn™ components and improving the fluid path design resulted in further patents being lodged to secure the Intellectual Property worldwide. The Veterinary version of ClipOn™, VetLok™ will also commence production and be marketed by the Company within Australia, and by HC Berlin Pharma AG in the European markets.

Current procedures in the management and treatment of Malaria patients require a minimum of two blood samples to be taken from each patient. Eastland® see the distribution of ArTiMist™, in conjunction with a ClipOn™ safe needle, as an ideal package to provide effective solutions. This along with AIDS are the 2 foremost health programs which currently attract the majority of world aid funding to affected countries.

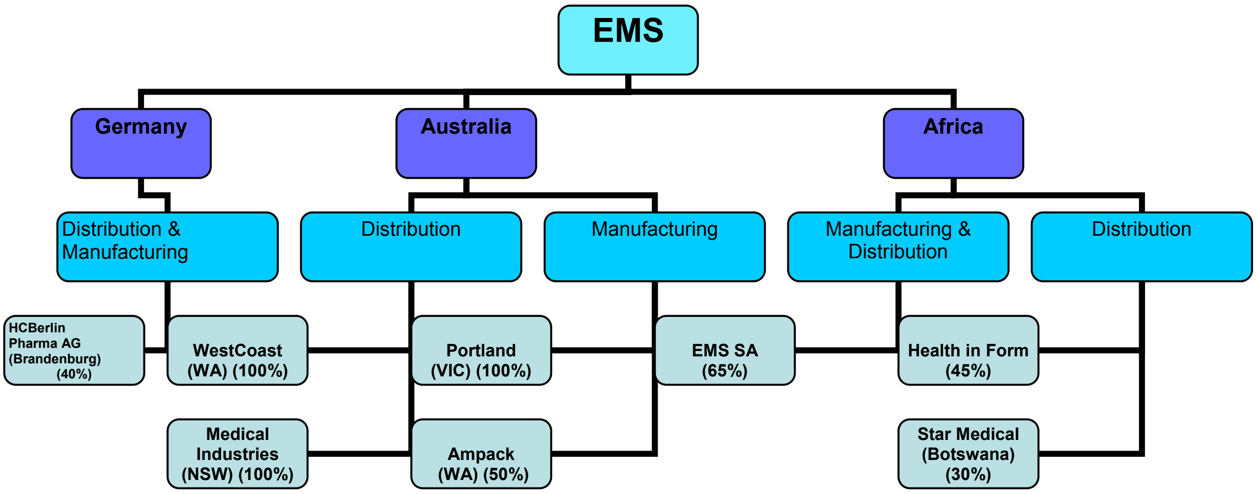
With these developments, the stage is set for a very exciting 2007/2008, one which Eastland believes will be a major milestone in the Company's history.
The coming year provides great opportunity for Eastland's Stakeholders, and the Board would like to thank all of them for their continued support.

Peter Jooste QC
Chairman,
Eastland Medical Systems Ltd.

Operations Review

CORPORATE STRUCTURE

Eastland Group subsidiaries and associated entities as at 20th September 2007 are as follows;



There are four currently 4 divisions within the parent entity, namely;

- Pharmaceutical Treatments Division
- Distribution Division
- Safe Medical Devices Division
- Manufacturing Division

PHARMACEUTICAL TREATMENTS DIVISION

ArTiMist™ Anti-Malaria Treatment

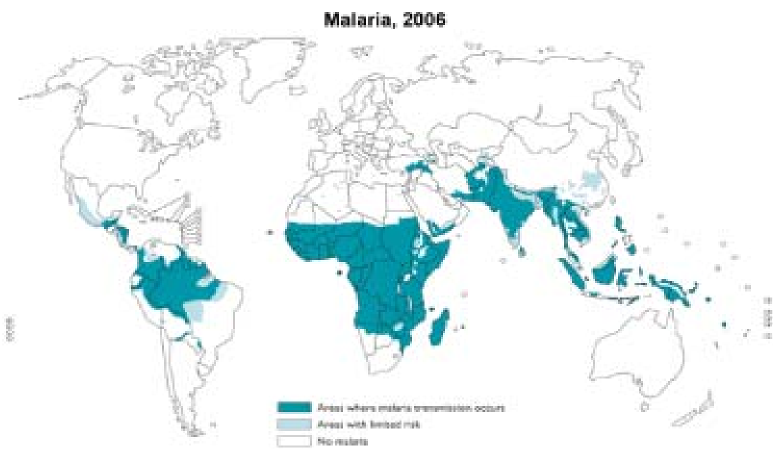
Eastland®'s Pharmaceutical Treatment Division commenced operations in late 2006. Contracts entered into with the UK Company ProtoPharma and their Director of Development Mr. Calvin Ross resulted in Eastland® securing the exclusive rights for the manufacture and distribution of the new Malaria treatment ArTiMist™ covering the regions of Africa, India, Asia and the Pacific.

Eastland®'s distribution of ArTiMist™ throughout Asia, India and Pacific Regions is expected to generate revenues of up to A$12 million in the first year of production which is expected to commence during the first half of 2008 and increasing to an estimated of A$85 million by the fourth year of production

This innovative new treatment attacks the Malaria parasite at a far greater speed than conventional tablet forms of the treatment. Common side effects experienced mainly in children such as diarrhoea, dehydration and vomiting are eliminated, thereby assisting to reduce the current child mortality rate, hospitalisation times and high costs associated with the treatment of Malaria.

Phase 1 Clinical Trials for ArTiMist™ are currently being conducted in both Malaysia and South Africa, with the completion of the trials expected by the end of 2007. It is anticipated that the new treatment will be fast tracked for market entry, as the drug has already been approved in tablet form by many of the African Ministries of Health. ArTiMist™ has been designed to assist in reducing the high level of child mortality, which has been reported by the WHO as being at a rate of *"one African child dying every 30 seconds"*. A recent exploratory trial carried out in Nigeria showed ArTiMist™ to have had a 100% success rate in all of the patients tested.

Malaria Infected Countries



Operations Review

In May of 2007, manufacturing agreements were signed with the German Pharmaceutical Company HC Berlin Pharma AG (EMS 40%), to produce ArTiMist™ for the regions of Africa, India, Asia and the Pacific. Eastland® has acquired a 40% interest in HC Berlin Pharma AG through the signing of these contracts.

Eastland®'s South African Subsidiary Eastland Medical Systems South Africa (Pty) Limited (EMS 65%) has retained the exclusive distribution for ArTiMist™ for Sub-Saharan Africa that allows EMSSA to distribute to 47 countries within this region. EMSSA has assigned its manufacturing rights for ArTiMist for the African continent to HC Berlin Pharma AG (EMS 40%).

Global Market – The Malaria Crisis

- 500 million cases of malaria worldwide PA
- 41% of global population at risk
- Accounts for 40% of public health expenditure in Africa
- Global Fund (GFATM) - US$118 million
- WHO report that up to US$2 billion will be needed each year to achieve the goal of halving the burden of malaria by 2010.

Global warming = malaria on the increase

Sources: World Health Organisation 7 Global Fund to Fight AIDS, Tuberculosis and Malaria,

NiCoSorb™ Anti-Smoking Treatment

Eastland® extended its pharmaceutical treatments range by securing the exclusive territorial distribution rights for the new anti-smoking replacement therapy NiCoSorb™. Contracts have been signed with HC Berlin Pharma AG (EMS 40%) and ProtoPharma's Director of Development Mr Calvin Ross. HC Berlin Pharma AG will hold the exclusive manufacturing rights for NiCoSorb™ as well as the exclusive distribution rights for Europe and the Americas. Eastland® will distribute NiCoSorb™ throughout Australasia, South East Asia and the Pacific Islands.

Global Smoking Statistics (Source World Health Organisation)

- About a third of the male adult global population smokes.
- Smoking related-diseases kill one in 10 adults globally, or cause four million deaths. By 2030, if current trends continue, smoking will kill one in six people.
- Every eight seconds, someone dies from tobacco use.
- Smoking is on the rise in the developing world but falling in developed nations. Among Americans, smoking rates shrunk by nearly half in three decades (from the mid-1960s to mid-1990s), falling to 23% of adults by 1997.

Youth

- Among young teens (aged 13 to 15), about one in five smokes worldwide.
- Between 80,000 and 100,000 children worldwide start smoking every day - roughly half of whom live in Asia.
- Evidence shows that around 50% of those who start smoking in adolescent years go on to smoke for 15 to 20 years.
- Peer-reviewed studies show teenagers are heavily influenced by tobacco advertising.

Operations Review

ScarBan® Silicone Dressings

In January 2007, Eastland® signed an exclusive seven year contract with Belgian Company Tricolast NV to distribute its unique, scar reducing silicone dressing ScarBan® into the Australian market. ScarBan® will be distributed through wholly owned Eastland® subsidiary WestCoast Surgical and Medical Supplies.

ScarBan® is safe for singular patient re-use, allowing it to be 65% more affordable than other silicone dressings currently available. TGA approval has been gained for ScarBan®.

The current Australian market for silicone dressings is estimated to be worth approx A$1 million per annum increasing to A$5 million over the next 3 years. Eastland® expects to capture 50% of this market within 3 years.

SAFE MEDICAL DEVICES DIVISION

™ ClipOn Safe Needle Device

Eastland® has continued to progress the development of ClipOn™ making unique and innovative advances in reducing component numbers and improving the fluid path design of the product. These advances will improve the mass production and assembly of ClipOn™. These new changes have resulted in the lodgement of further patents for the safe needle, which have now progressed to National Phase and have allowed Eastland® to secure the Intellectual Property for the world.

Eastland® plans to combine ClipOn™ safe needle with ArTiMist™ anti-malaria treatment to provide a complete treatment and blood drawing system.

European regulatory approval or CE Marking has been achieved for ClipOn™. TGA (Australia) approval for ClipOn™ is in the application phase.

™ VetLok Safe Veterinary Needle

In May 2007 Eastland® signed an Agreement with HC Berlin Pharma AG for the distribution of VetLok™, its Veterinary version of the CE approved ClipOn™ safe needle. This agreement secures the lucrative and expanding European markets for VetLok™.

VetLok™ meets the demands of the Veterinary Industry with safe and innovative technology and is due for release in Germany during the first half of 2008.

Operations Review

PAP GRINDING TECHNOLOGY

Eastland® is currently reviewing and preparing this technology for proposed Licensing into the Industrial Sector. As the Brandenburg Technology Centre in Germany is now well underway Eastland® will continue to explore Joint Venture Partners to progress this technology to market through the Brandenburg facility.

DISTRIBUTION DIVISION

MEDICAL INDUSTRIES AUSTRALIA PTY LTD

A major milestone for Medical Industries Australia (MIA) over the past 18 months has been the successful accreditation of the company to the international quality standard ISO 9001. This has now bench marked the quality and management systems of MIA to world's best practice

The combined distribution of medical equipment and its associated consumable products forms the basis for long term growth in Medical Industries market segments. A continuing focus on improved customer service, effective sales management and the introduction of new product ranges will deliver revenue growth while maintaining profit margins over the coming year.

Highlights for MIA this year were:

- 4 State Medical Supply Contracts signed with New South Wales Government
- Major export contract signed for respiratory equipment for Papua New Guinea
- Introduction of New Aged Care Products including patient lifters and floor level electric beds into the market
- Wide range of new products introduced this year including respiratory consumables, nebulisers and oxygen therapy equipment, pathology and diagnostic equipment.

WESTCOAST SURGICAL & MEDICAL SUPPLIES

WestCoast Surgical & Medical Supplies has proved to be a valuable addition to the Eastland Group. Sales continue to increase year on year, while management continue to introduce new products that will continue to strengthen the operation's profitability.

Highlights for the year were:

- ScarBan® introduced to the Australian Market through national presentations on both the East and West coasts
- Sports Medicine and Physiotherapy product groups continuing to provide revenue growth, with WestCoast Surgical & Medical becoming a major sponsor to the Western Australian Country Football League and a major supplier to the Perth Glory and WestCoast Eagles Football Clubs.
- Medisheet® sales have gained market acceptance and are now recording sales of $10,000 plus per month and growing.
- WestCoast Surgical and Medical has begun supplying the Mining and Resource sectors this year and are expecting their first year's revenues from this project approach $900,000 to see strong growth in future years.
- Significant Government Tenders have been won by WestCoast Surgical & Medical Supplies for Tracheotomy and O2 masks, with other contracts being extended for a further 12 month period for Dressing Packs.

Operations Review

MANUFACTURING DIVISION

PORTLAND SURGICAL PRODUCTS PTY LTD.

Portland Surgical Products Pty Ltd is a specialty needle manufacturer, currently providing a bespoke service to meet specific client requirements.

Sales of Portland's main product, the patented Underwater Chest Drainage Systems (UWCDS) remain constant within the Australian market. Export supply contracts for specialised components of the UWCDS system are currently under negotiations within the South East Asian region.

Highlights for the year:

- The range of Irrigation and Transfusion sets have increased, of particular note has been the demand for the specialised short runs of various designs for specific customer requirements.
- The last 12 months have seen new markets being entered for industrial needles which have been developed, mainly for fisheries, industrial paint sampling, and aviation fuel requirements.

AMPACK MEDICAL PTY LTD (EMS 50%)

Ampack Medical Pty Ltd is a manufacturer of a range of sterile barrier products for both the domestic and international medical and industrial marketplaces.

Sales of Medisheet, Ampack's lead product, have increased within the Australian market through the distribution operations of both WestCoast Surgical & Medical and Medical Industries Australia. The export development for the business has continued to focus on Hong Kong, Malaysia and Thailand, while supporting product interest out of the Middle East. During the year the Singaporean Healthcare market has shown increasing interest in Ampack's products, and is expected to see this market develop into a key hub within the region over the next 12 months.

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

DIRECTORS REPORT

The directors present their report on the Company and its controlled entities for the financial year ended 30 June, 2007.

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

MR. Francis (Don) O'SULLIVAN		MR. Douglas A. SIMS	
MR. Peter I. JOOSTE QC		MR. Peter M. TIEDE	Appointed 7 May 2007
MR. Dermot P. PATTERSON	Appointed 1 December 2006	MR. David J. WHITELAW	

COMPANY SECRETARY

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

INFORMATION ON DIRECTORS

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

EASTLAND MEDICAL SYSTEMS LTD

Peter Innes Jooste QC (Age 63) – Non Executive Director & Chairman

Mr. Peter Jooste QC was appointed a non-executive director of Eastland Medical Systems Ltd on 3 July, 2006 and to the position of Chairman on 4th December 2006.
Peter Jooste brings to Eastland his widespread knowledge in all areas of Corporate Law including, Mergers, Floats and Capital Raising.
Born in South Africa and educated in both South Africa and England, he is well respected in his field.
His experience as a Director on Company Boards, Government Councils and Advisory Boards in both South Africa and Australia, including Past President of the Australian Southern African Business Council Inc (WA) and International Business Council provides a significant level of experience to the Board of Eastland.

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

Francis Donald O'Sullivan (Age 71) – Non Executive 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. He was the Chief Executive Officer of Eastland since the Company Listed until his retirement on 8th September 2006.

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.

DIRECTORS REPORT

Douglas Arthur Sims (Age 64) –Executive Director, Product Development Manager.

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

Educated in Perth, Western Australia, his early years saw him involved in agriculture, where he continually involved himself in the improvement of farm machinery. Having sold his interests in farming, Doug moved into an entrepreneurial role in developing new products for commercialisation. The 1980's saw the development of "Bead Cheata" a system for removing tyres from oversized machinery, Bead Cheata is now manufactured and used all over the world.
Doug has gained considerable experience in the development of products from concept to commercial production and distribution. He has established factories in Australia, China, Malaysia and the USA to manufacture a wide range of products developed under his control for global distribution.
He is a founding Director of a related medical company, Eastland Technology Australia Pty Ltd.

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

Peter Michael Tiede (Age 38) C.P.A. –Executive Director & Chief Financial Officer

Mr. Peter Tiede was appointed a Director of Eastland Medical Systems Ltd on 7 May 2007.
Peter Tiede joined Eastland Medical Systems Ltd in April 2004, as Group Accountant with a charter to streamline the accounting system across the group of companies. Majoring in Accounting and Information Systems at Curtin University and with 10 years extensive experience in the field, Peter comes highly qualified for the role as Chief Financial Officer

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

David John Whitelaw (Age 52) B.Sc. (Hons) Non–Executive Director.

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

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

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

DIRECTORS REPORT

Dermot P Patterson. (Age 48) M.B.A. Executive Director & Chief Executive Officer

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

He also held the position of the Group Regional Director, Australasia of UK public listed Huntleigh Technology plc, a leading global healthcare company specialising in design and manufacture of a range of non-invasive healthcare devices and instrumentation for medical applications. This experience provides an ideal background to assist Eastland to grow its range of patented safe parenteral devices and associated surgical and hospital range of products.
Mr. Patterson's 20 year career with Huntleigh provided a wealth of international marketing experience in the UK, continental Europe, North & South America and more recently the Asia Pacific region including the Australian markets. During his latter term of employment he also established several subsidiaries in China, Japan, Singapore and Australia.

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

INFORMATION ON OTHER OFFICERS (INCLUDING THE SUBSIDIARIES)

Trevor Preston Strahan (Age 57) A.M.I.M.C.; –Company Secretary

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

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

Andre Lagadec (Age 60) – General Manager, Portland Surgical Products Pty Ltd.

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

Andre and his wife currently reside in Portland, Victoria.

DIRECTORS REPORT

Craig Robert Inglis (Age 51) – Managing Director,
Eastland Medical (WA) Pty Ltd
Trading as: Westcoast Surgical & Medical Supplies Pty Ltd

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

Angus Morrison Taylor (Age 62) - Chief Executive Officer,
Medical Industries Australia Pty Ltd

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

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

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	15,636,251	Nil
Mr. D.P. Patterson	220,000	Nil
Mr D.A. Sims	26,733,127	Nil
Mr P. M. Tiede	53,575	Nil
Mr. D.J. Whitelaw	131,250	Nil

PRINCIPAL ACTIVITIES

The principal activities of the economic entity during the financial year were the continued expansion of its manufacturing and distribution capabilities, including; completion of the acquisition of 100% of the net assets of Westcoast Surgical & Medical Supplies and 50% shareholding of Ampack Medical Pty Ltd. The past year also saw the Company secure the rights to several new medical & pharmaceutical products. Westcoast Surgical secured the exclusive distribution rights for a scar reducing silicone dressing-Scarban. Eastland has also expanded its marketing strategy by securing several exciting new pharmaceutical treatments, ArTiMist™ and NiCoSorb™, with the rights to manufacture & distribute these treatments for a number of territories.

OPERATING RESULT

The consolidated result of the group after providing for income tax (of nil) amounted to a loss of $2,007,363 (2006: profit of $26,079) This loss is after major expenses incorporating Accounting & Audit $121,678, Depreciation & Amortisation of $371,527, Patent renewals of $247,006, Insurance of $159,303, Occupancy $497,718 and Travelling of $182,574 which account for $1,579,806 of this year's expenses before tax.

DIRECTORS REPORT

DIVIDENDS

Directors have not declared or paid dividends in respect of the financial year ended 30 June, 2007.

FINANCIAL POSITION

The net assets of the consolidated group have increased by $975,767 to $14,327,171 in 2007. This increase has largely resulted from the following factors:

- Increase in current trade and other receivables of $562,511
- an increase in the group inventories of $876,509
- an increase in group Financial Assets of $949,415
- an increase in trade & other payables of $1,805,749
- an increase in short term borrowings of $1,424,494

The above result does take into consideration the net investment of $500k by Eastland of HC Berlin Pharma AG (EMS 40%). The company received 4 million €1.00 ordinary shares, and whilst this investment has been reflected in this financial year, the full value of the investment cannot be recognised until HC Berlin Pharma AG achieves listing on the German Stock Exchange.

It is anticipated the Group's performance will improve significantly in this current financial year with the expansion of its current operations and the growth of its 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 3 July 2006 Mr Peter Jooste QC is appointed to the Board following the retirement of Mr. John Picton-Warlow.
- On 2 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 8 September 2006.
- On 31 August 2006 settlement for the acquisition of Westcoast Surgical & Medical Supplies is finalised.
- On 20 September 2006 the Company issued $179,133 Convertible Notes of $1.00 and 500,000 unlisted Options exercisable at $0.15 cents expiring 31 August 2008 in relation to the acquisition of Westcoast Surgical and Medical Supplies.
- On 3 October 2006 the Company announces the appointment of Angus Taylor as Chief Executive Officer of Medical Industries Australia Pty Ltd.
- On 17 October 2006 the placement of 220,000 ordinary shares at $0.0924 cents were allotted.
- On 3 November 2006 the placement of 234,962 ordinary shares at $0.133 cents, 1,333,333 ordinary shares at $0.12 cents and 339,600 unlisted ordinary options exercisable at $0.20 cents expiring 31 August 2008 were allotted.
- At the Company's Annual General Meeting in November 2006, Mr P Tiede did not stand for re-election.
- On 30 November 2006 the Company enters into a placement agreement with Acon Actienbank for the placement of up to 20 million ordinary shares at $0.10 cents per share. The initial placement of 5,000,000 ordinary shares at $0.10 cents were allotted.
- On 1st December 2006 the Company confirms 2,898,479 Listed Options expired on 30 November 2006.
- On 4 December 2006 the Board appoints Mr Peter Jooste QC as Chairman.
- On 13 December 2006 ClipOn awarded CE Mark.
- On 18 December 2006 the placement of 8,000,000 ordinary shares at $0.10 cents were allotted.
- On 21 December 2006 of a further placement of 5,000,000 ordinary shares at $0.10 cents were allotted.
- On 22 December 2006 the final placement of 2,000,000 ordinary shares at $0.10 cents were allotted.
- On 4 January 2007 the Company concludes the sale of its shareholding in IMD for a consideration of A $2.5 million.
- On 30 January 2007 Westcoast secures exclusive distribution rights for Scarban to the Australian market.
- On 12 February 2007 the Company secures an exclusive contract to manufacture & distribute the new Anti-Malaria treatment to Asia, India & Pacific Region.
- On 16 February 2007 Eastland is granted the exclusive manufacturing licence for Anti-Malaria treatment for Africa.
- On 1st March 2007 the Company acquires a 30% stake in Star Medical Botswana.
- On 11 April 2007 Extraordinary General Meeting ratifies the placement of the previous issue of shares.
- On 7 May 2007 Mr Peter Tiede is appointed to the Board.
- On 24 May 2007 the Company secures exclusive territorial distribution rights to new Anti-Smoking therapy "NiCoSorb™"
- On 30 May 2007 a placement of 10,000,000 unlisted ordinary options exercisable at $0.20 cents expiring 31 May 2011 are allotted.
- On 14 June 2007 the Company announces the initial production of ArTiMist™ for clinical trials.
- On 20 June 2007 the placement of 1,000,000 ordinary shares at $0.11 cents were allotted.

DIRECTORS REPORT

SHARE OPTIONS

Option-holders holding unlisted options issued on 31 August (Class EMSAM) & 24 October 06 (Class EMSAO), exercisable at $0.15 cents & $0.20cents respectively are reminded that those options automatically expire on 31 August 2008.

Option-holders holding unlisted options issued in 30 May 2007 (Class EMSAQ), exercisable at $0.20cents are reminded that those options automatically expire on 31 May 2011.

DIRECTORS' MEETINGS

The number of directors' meetings held and the number of meetings attended by each of the directors of the Company was:

	Directors Meetings Eligible to Attend	Meetings Attended
Eastland Medical Systems Ltd		
Mr P Jooste	11	8
Mr D O'Sullivan	12	12
Mr D Patterson	5	5
Mr J Picton-Warlow	1	1
Mr D Sims	12	9
Mr P Tiede	8	8
Mr D Whitelaw	12	11

	Directors Meetings Eligible to Attend	Meetings Attended
Nomination & Remuneration Committee		
Mr D O'Sullivan	2	2
Mr P Jooste	3	3
Mr P Tiede	4	4

	Directors Meetings Eligible to Attend	Meetings Attended
Audit & Risk Committee		
Mr D O'Sullivan	2	2
Mr T P Strahan	1	1
Mr P Jooste	1	1
Mr P Tiede	1	1

REVIEW OF OPERATIONS

Eastland® has continued to move forward with the next phase of its strategic business plan in the 06/07 financial year increasing its market presence both domestically and internationally.

The domestic focus during the year to increase our market presence has been achieved with the conclusion of the acquisition of Westcoast Surgical & Medical Supplies and a 50% shareholding of Ampack Medical Pty Ltd. The recent entry into the pharmaceutical market will provide significant market opportunities and the potential to provide Eastland with substantial revenue streams.

CHANGES IN CONTROLLED ENTITIES

The subsidiaries of the Company as at the year ended 30 June 2007 are:

AUSTRALIA	**% Owned**	
Eastland Medical (Qld.) Pty Ltd	100%	Non operational
Eastland Medical (W.A.) Pty Ltd	100%	Operational as the holding Company of Westcoast Surgical & Medical Supplies, a Western Australian medical products distributor.
Eastland Medical Research Pty Ltd	100%	Conducts Research & Development functions of the Group. Non operational.
Medical Industries Australia Pty Ltd	100%	Operational, carries out the Group's distribution functions, both domestically and to international markets.
Portland Surgical Products Pty Ltd	100%	Operational, carries out the Group's manufacturing operations in Portland Victoria
SOUTH AFRICA		
Eastland Medical Systems SA P/L	65%	Non operational.

AFTER BALANCE DATE EVENTS

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

- On 20 August 2007 the placement of 12,300,000 ordinary shares at $0.18 cents were allotted.

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

The Board of Directors of Eastland Medical Systems Ltd (Eastland) (the Board) is responsible for the corporate governance of the consolidated entity and is committed to applying the ASX Corporate Governance Council *Principles of Good Corporate Governance and Best Practice Recommendations* (ASX Principles) where practicable. The Board guides and monitors the business affairs of Eastland on behalf of the shareholders and are committed to achieving and demonstrating the highest standards of corporate governance. The directors of the Company and its controlled entities are also required to act honestly, transparently, diligently, independently, and in the best interests of all shareholders in order to increase shareholder value.

The ASX Principles are an important regulatory guide for listed companies reporting on their corporate governance practices. Under ASX Listing Rule 4.10.3, listed companies must disclose the extent to which they have followed the ASX Principles, and if any of the recommendations have not been followed, then the Company must explain why not.

The Company's main corporate governance practices in place throughout the year are discussed in this section, and unless otherwise stated, the Company has followed best practice recommendations set by the ASX Corporate Governance Council during the reporting period.

BOARD OF DIRECTORS
The Board operates in accordance with the broad principles set out in its charter.

ROLE OF THE BOARD
The Board's primary role is the protection and enhancement of long-term shareholder value. They are also responsible to the shareholders for the performance of the Company in both the short and longer term and seek to balance the competing objectives in the best interests of the Company.

To fulfil this role, the Board is responsible for the overall corporate governance of the consolidated entity including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting.

The Board has delegated responsibility for operation and administration of the Company to executive management of the parent entity. To assist in the execution of responsibilities, the Board has established a number of Board committees including a Remuneration Committee and an Audit Committee. These committees have written mandates and operating procedures, which are reviewed on a regular basis.

COMPOSITION OF THE BOARD
As at the date of this report, the Board comprises of: a non-executive chairperson, three executive directors and a further two non-executive directors. The names of the directors of the Company in office at the date of this report are set out on pages 8 to 10 of this report.

The composition of the Board is determined using the following principles:

• a minimum of 3 directors, with a broad range of expertise;
• a substantial number of non-executive directors;
• a majority of directors having extensive knowledge of the Company's industries, and those who do not, have extensive expertise in significant aspects of auditing and financial reporting, or risk management of medium sized public companies;
• a non-executive director as Chairman; and
• sufficient directors to serve on various committees without overburdening the directors or making it difficult for them to fully discharge their responsibilities.

TERM OF OFFICE
The Company's Constitution specifies that all directors (excluding an executive Managing Director) must retire from office no later than the third Annual General Meeting (AGM) following their last election. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of directors to retire at that Annual General Meeting. Where eligible, a director may stand for re-election in accordance with the Company's Constitution.

BOARD MEETINGS
Details of directors' attendance at Board meetings are set out in this report.

The Board meets formally at least 8 times a year. In addition, it meets whenever necessary to deal with specific matters needing attention between the scheduled meetings.

Meeting agendas are established by the Chairman and Company Secretary to ensure adequate coverage of financial, strategic, compliance and other major areas throughout the year.

Copies of Board papers are circulated in advance of meetings. Directors are always encouraged to bring their independent judgment to bear on the issues and decisions at hand.

DIRECTORS REPORT

PERFORMANCE ASSESSMENT

The small size of the Company and hands on management style requires an increased level of interaction between Directors and Executives throughout the year. This results in its performance review on an ongoing basis throughout the year. Board members meet between themselves both formally and informally and consider that the current approach adopted with regard to the review of its performance provides the best guide and value to the Company.

INDEPENDENCE OF DIRECTORS

The Board has reviewed the position and associations of each of the six directors in office at the date of this report and considers that two of the directors are independent. In considering whether a director is independent, the Board has regard to the independence criteria in ASX Best Practice Recommendations Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of other directors, as appropriate.

The Board considers that Mr. P I Jooste (Chairman) meets the criteria in Principle 2. Although Mr. Jooste has entered into a retainer to provide legal advice as and when the Company requires this, he has no other material or contractual relationship with the Company, other than as a Director, and no conflicts of interest which could interfere with the exercise of his independent judgment.

The Board considers that Mr. F D O'Sullivan although non-executive does not meet the criteria in Principle 2 as he is deemed that he and his related parties are substantial shareholders of the Company as outlined by the *Corporations Act 2001*.

The Board considers that Mr. D J Whitelaw meets the criteria in Principle 2. He has no material business or contractual arrangement with the Company, other than as a director and no conflicts of interest which could interfere with the exercise of independent judgment.

The Board considers that Mr. D. P Patterson does not meet the criteria in Principle 2 as he is employed as an executive of the Company.

The Board considers that Mr. D A Sims does not meet the criteria in Principle 2 as he is employed as an executive of the Company and that he and his related parties are substantial shareholders of the Company as outlined by the *Corporations Act 2001*.

The Board considers that Mr. P M Tiede does not meet the criteria in Principle 2 as he is employed as an executive of the Company.

NOMINATION COMMITTEE

The Board does not have a separate Nomination Committee as the selection, appointment and succession planning process for Directors is carried out by the full Board in accordance with the Company's Constitution. The Company is not of sufficient size to warrant a separate committee.

AVOIDANCE OF CONFLICTS OF INTEREST

In accordance with the Corporations Act 2001 (Cth), any director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered, and may not vote on the matter, unless the restrictions are relaxed in accordance with Part 2D of the Corporations Act 2001 (Cth).

INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO COMPANY INFORMATION

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the consolidated entity's expense. The director must consult with an advisor suitably qualified in the relevant field and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the Board.

AUDIT & RISK MANAGEMENT COMMITTEE

The Audit Committee's role and responsibilities, composition, structure and membership requirements are approved by the Board. A majority must be non-executive directors and the Chairman of the committee may be the Chairman of the Board. The committee's responsibility is to ensure that an effective internal control framework exists within the entity and to provide appropriate ethical standards for the management of the consolidated entity. This includes both internal controls to deal with both the effectiveness of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial and non financial information.

The Audit Committee provides a forum for the effective communication between the Board and the external auditors. The Audit Committee review:

• the annual and half-year financial reports prior to their approval by the Board;

• the effectiveness of management information systems and systems of financial control; and

• the efficiency and effectiveness of the external audit functions.

DIRECTORS REPORT

The members of the Audit Committee during the year were:

- P. I. Jooste - Chairman, non-executive
- F.D. O'Sullivan - Non-executive
- P.M. Tiede - Executive

The Audit Committee met twice during the year and committee members' attendance records are disclosed in the table of Directors' Meetings. The external auditors and executive directors are invited to Audit Committee meetings at the discretion of the committee.

The external auditor can meet with the Audit Committee without executive directors or management being present by request of the Audit Committee Chairman.

The Audit Committee's Charter provides procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.

REMUNERATION COMMITTEE

The Board determines all compensation arrangements for Directors. It is also responsible for setting performance criteria, performance monitors, share option schemes, incentive performance schemes, superannuation entitlements, retirement and termination entitlements and professional indemnity and liability insurance cover.

A separate Remuneration Committee comprised of the Non-executive Directors has been created to assist the Board.

The Board ensures that all matters of remuneration are in accordance with the Corporations Act requirements, by ensuring that none of the Directors participates in any deliberations regarding their own remuneration or related issues.

Details of the nature and amount of each major element of the remuneration of each key management personnel of Eastland Medical Systems Ltd are set out in note 5 to the financial statements.

CODE OF CONDUCT

The Company adheres to a Code of Conduct (the Code) which has been fully endorsed by the Board. The Code is regularly reviewed and updated to reflect the highest standards of corporate governance. The Code requires that Company personnel continually act with integrity, objectivity and comply with the spirit of the law and Company policies. The Company organisational culture encourages ethical behaviour and professionalism.

TRADING IN COMPANY SECURITIES BY DIRECTORS AND EMPLOYEES

The Company follows a Share Trading Policy (the Policy) which· has been established and fully endorsed by the Board. The Policy applies to all directors and senior executives of the Company. This policy is provided to all Directors and senior executives and compliance is reviewed on an ongoing basis in accordance with the Company's management systems.

Directors and executives may deal in Company securities; however they may not do so if in possession of undisclosed information that may materially influence the Company's share price.
Directors must advise and provide details to the Company Secretary when trading the Company's securities. The ASX is notified of any changes in Directors interest within 7 days of the execution of the trade.

CONTINUOUS DISCLOSURE AND SHAREHOLDER COMMUNICATION

The Company complies with ASX Listing Rule requirements. This includes the timely release of all factual information that may materially affect the Company's share price. The Policy also establishes procedures for reviewing whether any price sensitive information has been unintentionally disclosed, and if so, this information is immediately released to the market.

The Chairman and the Company Secretary have prime responsibility as the persons responsible for the disclosure of material information to ASIC and ASX and maintain procedures for disclosure as well as for record keeping. They are also responsible for coordinating communications with the analysts, brokers and shareholders. All shareholders receive, or have access to a copy of the Company's full annual report and are encouraged to attend and participate at general meetings.

The Company discloses information through the ASX, media releases and updated postings on the Company's website.

FUTURE DEVELOPMENTS

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

ENVIRONMENTAL ISSUES

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

DIRECTORS REPORT

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS.

During the financial year the Company paid an insurance premium of $38,496 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 executives 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.

Key Management Personnel Remuneration

2007	**Short-term benefits**				**Post Employment**	**Share-based Payment**		**Total**
Key Management Person	Cash, Salary & Commissions	Cash profit share	Non-Cash Benefits	Other	Superannuation	Equity	Options	
	$	$	$	$	$	$	$	$
D P Patterson	151,757	-	18,608	-	12,562	-	-	182,927
D A Sims	121,000	-	-	-	10,890	-	-	131,890
P M Tiede	127,917	-	-	-	11,512	-	-	139,429
P I Jooste	25,000	-	-	30,000	-	-	-	55,000
D J Whitelaw	64,945	-	-	-	5,845	-	-	70,790
F D O'Sullivan	45,750	-	-	-	2,812	-	-	48,562
T P Strahan	102,240	-	-	-	6,058	-	-	108,298
Totals	638,609	-	18,608	30,000	49,679	-	-	736,896

Key Management Personnel Remuneration (continued)

2006	**Short-term benefits**				**Post Employment**	**Share-based Payment**		**Total**
Key Management Person	Cash, Salary & Commissions	Cash profit share	Non-Cash Benefits	Other	Superannuation	Equity	Options	
	$	$	$	$	$	$	$	$
F D O'Sullivan	192,917	-	-	-	3,188	-	-	196,105
D A Sims	107,417	-	-	-	9,667	-	-	117,084
P M Tiede	104,583		-	-	9,412	-	-	113,995
E J Picton-Warlow	35,417	-	-	-	3,188	-	-	38,605
D J Whitelaw	159,654	-	-	-	14,369	-	-	174,023
T P Strahan	59,072	-	-	-	5,316	-	-	64,388
Totals	659,060	-	-	-	45,140	-	-	704,200

SHARE OPTIONS

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

- 20 September 2006 as part of the Business & Sale Agreement for the acquisition of Westcoast Surgical & Medical Supplies, 500,000 unlisted options exercisable at $0.15 cents expiring 31 August 2008 were issued.
- 24 October 2006 339,600 unlisted options exercisable at $0.20 cents expiring 31 August 2008 were issued.
- 30 May 2007 10,000,000 unlisted options exercisable at $0.20 cents expiring 31 May 2011 were issued.

DIRECTORS REPORT

The following options expired during the financial year:

- 30 November, 2006 2,898,479 listed options with an exercise price of $0.20 cents with an expiry date of 30 November, 2006 lapsed.

There are 10,839,600 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 may be provided if required, provided it is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

- 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.

AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2007 has been received and can be found on page 21 of this report.

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

Dated: 28th September 2007. PERTH, Western Australia.

P.I. Jooste	P.M. Tiede	D.A. Sims
D.P. Patterson	D.J. Whitelaw	F.D. O'Sullivan

SHAREHOLDER INFORMATION

The issued capital of the Company as at 19 September 2007 is 171,185,529 (2006:136,097,234) ordinary shares.

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

NUMBER OF OPTIONS	EXPIRY DATE	EXERCISE PRICE
339,600	31 August 2008	$0.20 cents each
500,000	31 August 2008	$0.15 cents each
10,000,000	31 May 2011	$0.20 cents each

NUMBER OF NOTES	MATURITY DATE
178,000	9 August 2008
179,133	31 August 2008

Each Note has a face value of $1.00 with a conversion right to seven (7) fully paid ordinary shares for each $1.00 note, plus seven (7) free attaching options exercisable at $0.20 cents each for each parcel of 2 Notes converted, at any time up to 9th and 31 August 2008 respectively.

Distribution of shareholdings as at 19 September 2007:

SIZE OF HOLDING	SHAREHOLDERS	SHAREHOLDING	%
1-1,000	49	29,399	0.02
1,001-5,000	313	1,038,325	0.60
5,001-10,000	337	2,988,774	1.75
10,001-100,000	928	37,830,111	22.10
more than 100,000	182	129,298,920	75.53
	1,809	171,185,529	100.00

AUSTRALIAN SECURITIES EXCHANGE LISTING

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

Ordinary shares: - **EMS**

SHAREHOLDER DISTRIBUTION

As at 19 September 2007, the twenty largest shareholders held shares, equating to 52.5% of the total issued capital. The holders of these shares are as follows:

Twenty Largest Shareholders	Number of Shares	Percentage
RBC Dexia Investor Services Australia Nominees P/l	23,203,140	13.55
O'Sullivan Superannuation Fund	15,105,000	8.82
ANZ Nominees Limited	9,653,524	5.62
Eastland Technology Australia Ltd	7,647,000	4.47
HSBC Custody Services (Australia) Limited	6,133,999	3.58
Fee-Zone Pty Ltd	4,949,626	2.89
Onicas Investments Pty Ltd	4,165,000	2.43
Granworld Pty Ltd ATF Inglis Family Trust	4,152,780	2.46
Palos Pty Ltd	3,000,000	1.75
R & R Dougall <Dougall Retirement Fund>	2,317,771	1.35
First Manhattan Securities Pty Ltd	2,135,726	1.25
Botsis Holdings Pty Ltd	1,500,000	0.88
John Firth	1,385,000	0.81
Calvin Ross	1,000,000	0.58
Ben Fan	771,000	0.45
B K Ng & M A Tan ATF Nest Egg Super Fund	750,000	0.44
Synthe Pty Ltd	745,000	0.44
Grant Tanner	742,660	0.43
Francis D O'Sullivan	531,251	0.31
Douglas A Sims	509,376	0.30
Total	**90,397,853**	**52.81**

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)

SHAREHOLDER INFORMATION

VOTING RIGHTS

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

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

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

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

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held **at 2.30 pm (WST) on Wednesday 21st November 2007 at the Premises of the Celtic Club Inc, 48 Ord Street, West Perth.** Western Australia 6005.

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL

Bentleys mri
Thinking ahead

Bentleys MRI Perth Partnership
ABN 17 735 344 518

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LEAD AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF EASTLAND MEDICAL SYSTEMS LIMITED

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2007 there have been:

- No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.

Bentleys MRI Perth Partnership

BENTLEYS MRI PERTH PARTNERSHIP

P. Warr.

PW WARR
PARTNER
Dated this 28th day of September 2007
Perth, WA

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL

Bentleys mri
Thinking ahead

Bentleys MRI Perth Partnership
ABN 17 735 344 518

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EASTLAND MEDICAL SYSTEMS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Eastland Medical Systems Limited (the "Company"), which comprises the balance sheets as at 30 June 2007, and the income statements, statements of changes in equity, and statements of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 32 and the directors' declaration, set out on page 24 to 54, of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

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

Bentleys mri
Perth Partnership

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EASTLAND MEDICAL SYSTEMS LIMITED

Report on the Financial Report (continued)

Independence

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

Auditor's opinion on the financial report

In our opinion, the financial report of Eastland Medical Systems Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2007 and of their performance for the financial year ended on that date, and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

INHERENT UNCERTAINTY REGARDING CARRYING VALUE OF A NON-CURRENT ASSET

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

We refer to Notes 1(r) and 16 to the financial statements relating to the estimates and assumptions concerning the future, used to assess the recoverability of goodwill on acquisition of a subsidiary company of $4,635,076. This subsidiary company has undergone a restructure to address declining financial results and we note management have included certain estimates and assumptions concerning the subsidiary company's future, used to assess the recoverability of goodwill. The estimates and assumptions and the progress in the restructure of the subsidiary operations have a significant risk of being different due to changes in economic or market conditions and/or due to events beyond the control of the management. Should the company be unable to achieve the forecasted levels of future revenues and costs, the value of goodwill would be lower than the value at which it is currently carried in the balance sheet and may not be fully recovered.

Bentleys MRI Perth Partnership

BENTLEYS MRI PERTH PARTNERSHIP

P. Warr.

P W WARR
PARTNER
Dated this the 28th day of September 2007
Perth, WA.

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

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes as set out on pages 25 to 53 are in accordance with the Corporations Act 2001, and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position of the Company and consolidated group as at 30 June 2007 and of the performance for the year ended on that date.

2. The Chairman and Chief Finance Officer have each declared that;

   (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view.

3. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

4. The Company and the wholly-owned subsidiaries, Medical Industries Australia Pty Ltd, Eastland Medical (WA) Pty Ltd Trading as Westcoast Surgical & Medical Supplies and Portland Surgical Products Pty Ltd, have entered into a deed of cross guarantee under which the Company and its subsidiaries guarantee the debts of each other.

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

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

Dated at Perth, 28th September 2007

P.I. Jooste	P.M. Tiede	D.A. Sims
D.P. Patterson	D.J. Whitelaw	F.D. O'Sullivan

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

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated Group		Parent Entity	
		2007	2006	**2007**	2006
		$	$	**$**	$
Revenue from ordinary activities	2(a)	**9,579,077**	6,982,737	**54,623**	56,084
Other Income	2(b)	**972,848**	1,725,121	**931,952**	1,726,032
Raw Materials & Consumables used	3(a)	**(6,443,442)**	(3,786,463)	**-**	-
Employee benefits expense		**(2,837,861)**	(2,513,085)	**(829,336)**	(863,741)
Depreciation & amortisation expense	3(b)	**(371,527)**	(158,677)	**(41,247)**	(27,745)
Other Expenses		**(549,310)**	(492,210)	**(198,217)**	(247,455)
Finance costs	3(a)	**(349,998)**	(240,516)	**(70,018)**	-
Advertising & Public Relations		**(79,734)**	(21,253)	**(36,906)**	(4,771)
Audit and Accounting Fees	3(b)	**(121,678)**	(54,392)	**(85,650)**	(30,625)
Australian Stock Exchange & ASIC Fees	3(b)	**(63,167)**	(43,034)	**(37,165)**	(33,908)
Bad & Doubtful Debts	3(a)	**(233,143)**	(93,844)	**(1,265,463)**	-
Distribution Expenses	3(b)	**(111,396)**	(197,633)	**-**	-
Legal Costs		**(34,527)**	(53,642)	**(21,202)**	(7,781)
Professional Fees		**(76,352)**	(92,556)	**(42,435)**	(65,060)
Occupancy Expense	3(b)	**(497,718)**	(274,926)	**(79,984)**	(80,990)
Patent Costs	3(b)	**(247,006)**	(211,908)	**(247,006)**	(164,941)
Printing & Stationery	3(b)	**(84,697)**	(35,537)	**(16,148)**	(11,003)
Telephone	3(b)	**(160,429)**	(73,013)	**(18,157)**	(16,422)
Travelling Expense	3(b)	**(182,574)**	(148,863)	**(70,977)**	(85,004)
Insurance	3(b)	**(159,303)**	(187,340)	**(106,764)**	(46,323)
Share of Profit (loss) of associates using the equity method	13(c)	**44,574**	(2,887)	**-**	-
Profit (loss) from ordinary activities before income tax expense		**(2,007,363)**	26,079	**(2,180,100)**	96,347
Income tax expenses relating to ordinary activities	4	**-**	-	**-**	-
Profit (loss) from ordinary activities after related income tax expense		**(2,007,363)**	26,079	**(2,180,100)**	96,347
Profit / (loss) attributable to members of the parent entity		**(2,007,363)**	26,079	**(2,180,100)**	96,347
Basic earnings per share	7	**($0.01)**	$0.000	**($0.01)**	$0.001
Diluted earnings per share	7	**($0.01)**	$0.000	**($0.01)**	$0.001

The accompanying notes form part of these financial statements.

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

BALANCE SHEET
AS AT 30 JUNE 2007

	Note	Consolidated Group		Parent Entity	
		2007	2006	**2007**	2006
		$	$	**$**	$
CURRENT ASSETS					
Cash & cash equivalents	8	**834,874**	974,826	**385,696**	240,471
Trade & other receivables	9	**1,574,260**	1,011,749	**30,000**	-
Inventories	11	**3,574,390**	2,697,881	**-**	-
Financial assets	10	**1,885,074**	1,512,547	**1,885,074**	1,512,547
Other Current Assets	17	**-**	14,827	**-**	-
TOTAL CURRENT ASSETS		**7,868,598**	6,211,830	**2,300,770**	1,753,018
NON CURRENT ASSETS					
Trade & other receivables	9	**374,617**	261,112	**7,539,563**	6,832,087
Investments Accounted for Using the Equity Method	12	**444,574**	10	**852,506**	452,502
Financial assets	10	**807,889**	231,001	**1,545,602**	968,712
Property, plant and equipment	15	**1,430,128**	1,352,812	**266,343**	234,422
Intangible assets	16	**8,541,001**	7,137,735	**2,192,659**	2,192,659
Other Non Current Assets	17	**1,531,446**	1,434,761	**1,385,848**	1,288,093
TOTAL NON CURRENT ASSETS		**13,129,655**	10,417,431	**13,782,521**	11,968,475
TOTAL ASSETS		**20,998,253**	16,629,261	**16,083,291**	13,721,493
CURRENT LIABILITIES					
Trade & other payables	18	**2,317,886**	512,137	**1,378,969**	129,703
Short –term borrowings	19	**2,548,665**	1,124,171	**360,720**	13,907
Short-term provisions	20	**236,139**	167,824	**96,430**	68,477
TOTAL CURRENT LIABILITIES		**5,102,690**	1,804,132	**1,836,119**	212,087
NON CURRENT LIABILITIES					
Long-term borrowings	19	**1,568,392**	1,460,934	**-**	65,264
Other long-term provisions	20	**-**	12,791	**-**	-
TOTAL NON CURRENT LIABILITIES		**1,568,392**	1,473,725	**-**	65,264
TOTAL LIABILITIES		**6,671,082**	3,277,857	**1,836,119**	277,351
NET ASSETS		**14,327,171**	13,351,404	**14,247,172**	13,444,142
EQUITY					
Issued Capital	21	**20,818,490**	17,704,365	**20,818,490**	17,704,365
Reserves		**100,000**	230,995	**100,000**	230,995
Accumulated losses		**(6,591,319)**	(4,583,956)	**(6,671,318)**	(4,491,218)
Parent Interest		**14,327,171**	13,351,404	**14,247,172**	13,444,142
Minority equity interest		**-**	-	**-**	-
TOTAL EQUITY		**14,327,171**	13,351,404	**14,247,172**	13,444,142

The accompanying notes form part of these financial statements.

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007

	Note	Share Capital Ordinary	Retained Earnings	Asset Revaluation Reserve	Option Reserve	Total
Consolidated Group		$	$	$	$	$
Balance at 1 July 2005		16,758,865	(4,576,552)	-	-	12,182,313
Profit attributable to members of parent entity		-	26,079	-	-	26,079
Transfers to & from reserve -general reserve	28(b)	-	-	230,995	-	230,995
Shares issued during the year		945,500	-	-	-	945,500
Transfers from retained earnings		-	(33,483)	-	-	(33,483)
Sub-total		17,704,365	(4,583,956)	230,995	-	13,351,404
Dividends paid or provided for		-	-	-	-	-
Balance as at 30 June 2006	21	17,704,365	(4,583,956)	230,995	-	13,351,404
Shares issued during the year		3,114,125	-	-	-	3,114,125
Transfer to & from reserve						
- Option reserve	28(a)	-	-	-	100,000	100,000
Transfers to & from Asset Realisation	28(b)	-	-	(230,995)	-	(230,995)
Losses attributable to consolidated entity		-	(2,007,363)	-	-	(2,007,363)
Sub-total		20,818,490	(6,591,319)	-	100,000	14,327,171
Dividends paid or provided for		-	-	-	-	-
Balance as at 30 June 2007	21	20,818,490	(6,591,319)	-	100,000	14,327,171

	Note	Share Capital Ordinary	Retained Earnings	Asset Revaluation Reserve	Option Reserve	Total
Parent Entity		$	$	$	$	$
Balance at 1 July 2005		16,758,865	(4,587,565)	-		12,171,300
Profit attributable to members of parent entity		-	96,347	-	-	96,347
Shares issued during the year		945,500	-	-	-	945,500
Transfer Asset realisation	28(b)	-	-	230,995	-	230,995
Sub-total		17,704,365	(4,491,218)	230,995	-	13,444,142
Dividends paid or provided for		-	-	-		-
Balance as at 30 June 2006	21	17,704,365	(4,491,218)	230,995	-	13,444,142
Shares issued during the year		3,114,125	-	-	-	3,114,125
Transfers to & from reserve						
- asset realisation	28(b)	-	-	(230,995)	-	(230,995)
- option reserve	28(a)	-	-	-	100,000	100,000
Losses attributable to the parent entity		-	(2,180,100)	-	-	(2,180,100)
Sub-total		20,818,490	(6,671,318)	-	100,000	14,247,172
Dividends paid or provided for		-	-	-	-	-
Balance as at 30 June 2007	21	20,818,490	(6,671,318)	-	100,000	14,247,172

The accompanying notes form part of these financial statements.

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

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated Group		Parent Entity	
		2007	2006	**2007**	2006
		$	$	**$**	$
CASHFLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**9,918,981**	7,519,215	**-**	313,321
Payments to suppliers and employees		**(9,651,715)**	(7,889,220)	**(1,826,225)**	(1,698,162)
Interest received		**70,843**	96,333	**54,624**	56,084
Finance Costs		**(275,283)**	(267,443)	**(35,783)**	(18,925)
Net cash provided by (used in) operating activities	24(a)	**62,826**	(541,115)	**(1,807,384)**	(1,347,682)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments		**2,465,219**	-	**2,465,219**	-
Purchase of property, plant and equipment		**(146,461)**	(351,525)	**(73,167)**	(139,045)
Purchase of investments		**(1,568,152)**	-	**(1,568,152)**	-
Payments of other non-current assets		**-**	(99,211)	**-**	(89,972)
Payment for subsidiary, net of cash acquired		**(1,428,224)**	-	**-**	-
Net cash provided by (used in) investing activities		**(677,618)**	(450,736)	**823,900**	(229,017)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		**2,099,604**	927,500	**2,099,604**	927,500
Proceeds from Borrowings		**2,014,841**	228,257	**178,000**	79,171
Repayment of Borrowings		**(3,426,365)**	(1,044,629)	**(75,452)**	
Advances to Subsidiaries		**-**	-	**(588,193)**	(415,533)
Advances to Associates		**(108,399)**	(2,137)	**(385,250)**	(2,131)
Payments for Capital Raising Costs		**(100,000)**	-	**(100,000)**	-
Net Cash provided by (used in) Financing Activities		**479,681**	108,991	**1,128,709**	589,007
Net Increase (Decrease) in cash held		**(135,111)**	(882,860)	**145,225**	(987,692)
Cash at beginning Financial Year		**904,968**	1,787,828	**240,471**	1,228,163
Cash at end of Financial Year	8	**769,857**	904,968	**385,696**	240,471

The accompanying notes form part of these financial statements.

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, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated group 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 consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

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 14 to the financial statements. All controlled entities have a June financial year-end.

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

Where controlled entities have entered or left the consolidated group 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 consolidated group 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. 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 consolidated group 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	2-5%
Leasehold improvements	7.5-22.5%
Plant and equipment	10-37.5%
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. 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 consolidated group are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over 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.

Eastland Medical Systems Ltd and Controlled Entities designate certain derivatives as either;

(1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
(2) hedges of highly probably forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions is documented. Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items are also documented.

i) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedge asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.
Amounts accumulated in the hedge reserve in equity are transferred to the income statement in the periods when the hedged item will affect profit or loss.

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 carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Vendor Skills
Vendor skills are amortised over a 3 year period on a straight line basis.

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. Patents and trademarks are amortised on a systematic basis matched to the future economic benefits over the useful life of the patents.

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.

(r) 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 2007. 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 2007 amounting to $6,048,338. (Refer Note 16)

No impairment has been recognised in respect of intellectual property for the year ended 30 June 2007. (Refer Note 16)

Included in goodwill of $6 million, is goodwill of $4.6 million on acquisition of subsidiary, Medical Industries Australia Pty Ltd. The assumptions utilised in the value in use calculation include various restructure changes including the new executive staff, new product lines and potential acquisitions of strategically aligned businesses. Management assumes these initiatives will generate sufficient additional cash inflows in the future and no impairment of this asset is required.

It is assumed that the investment in the controlled entity $444,574 (Refer Note 12) and other receivables in associated companies $374,617 (Refer Note 9) will be recovered through the future commercialisation of the patented medical devices, generating sufficient funds for repayment.

(s) The financial report was authorised for issue on 28th September 2007 by the board of directors.

2. REVENUE	**Consolidated Group**		**Parent Entity**	
	2007	2006	**2007**	2006
(a) Operating Activities	**$**	$	**$**	$
- Sale of goods	**9,508,161**	6,886,405	**-**	-
Total Sales Revenue	**9,508,161**	6,886,405	**-**	-
-Interest Received	**70,916**	96,332	**54,623**	56,084
-Services Revenue	**-**			
Total Sales Revenue & Other Revenue	**9,579,077**	6,982,737	**54,623**	56,084
(b) Non Operating Activities				
- Gain on disposal of plant & equipment	**3,701**	(19,075)	**-**	-
- Gains on disposal of non-current investments	**969,147**	1,744,196	**931,952**	1,726,032
Total Other Income	**972,848**	1,725,121	**931,952**	1,726,032
Interest Received from:				
-Other persons	**70,916**	96,332	**54,623**	56,084
Total Interest revenue	**70,916**	96,332	**54,623**	56,084

3. PROFIT FROM ORDINARY ACTIVITIES:

	Consolidated Group		Parent Entity	
	2007	2006	**2007**	2006
(a) Expenses:	**$**	$	**$**	$
Cost of Sales	**(6,443,442)**	(3,786,463)	**-**	-
Finance costs:				
- Other persons	**(349,998)**	(240,516)	**(70,018)**	-
Total Finance Costs	**(349,998)**	(240,516)	**(70,018)**	-
Impairment of non-current investments to recoverable amount				
Foreign currency transaction losses	**(18,077)**	-	**-**	-
Total Foreign Currency losses	**(18,077)**	-	**-**	-
Bad and doubtful debts:				
-trade receivables	**(50,175)**	-	**-**	
- wholly owned subsidiaries	**-**	-	**(1,082,495)**	-
-other related parties	**(182,968)**	(93,844)	**(182,968)**	-
Total Bad and doubtful debts	**(233,143)**	(93,844)	**(1,265,463)**	-
Rental expense on operating leases				
- Minimum lease payments	**(474,792)**	(274,926)	**(79,984)**	(80,990)
Total leasing costs	**(474,792)**	(274,926)	**(79,984)**	(80,990)
(b) Significant Revenue and Expenses				
The following significant revenue and expense items are relevant in explaining the financial performance:				
Sale of manufacturing / distribution rights	**-**	1,512,547	**-**	1,512,547
Sale of Investments	**952,672**	-	**952,672**	-
R & D Tax Net Rebate	**-**	215,048	**-**	215,048
ASX & ASIC Fees	**(63,167)**	(43,034)	**(37,165)**	(33,908)
Accounting & Audit Fees	**(121,678)**	(54,392)	**(85,650)**	(30,625)
Depreciation & amortisation	**(371,527)**	(158,677)	**(41,247)**	(27,745)
Distribution expense	**(111,396)**	(197,633)	**-**	-
Occupancy Expense	**(497,718)**	(274,926)	**(79,984)**	(80,990)
Patent costs	**(247,006)**	(211,908)	**(247,006)**	(164,941)
Insurance	**(159,303)**	(187,340)	**(106,764)**	(46,323)
Printing & Stationery	**(84,697)**	(35,537)	**(16,148)**	(11,003)
Telephone & Communications	**(160,429)**	(73,013)	**(18,157)**	(16,422)
Travelling Expense	**(182,574)**	(148,863)	**(70,977)**	(85,004)

4. INCOME TAX EXPENSE

	Consolidated Group		Parent Entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
Net Profit/(loss) for the period	**(2,007,363)**	26,079	**(2,180,100)**	96,347
Prima Facie tax expense / (benefit) on loss from ordinary activities before income tax at 30%	**(602,209)**	7,824	**(654,030)**	28,904
Less: tax effect of temporary differences, AIFRS and tax losses not brought to account	**602,209**	(7,824)	**654,030**	(28,904)
Income Tax Expense	**-**	-	**-**	-

Unrecognised Deferred Tax Balances of Australian income tax Consolidated Group:

Unrecognised deferred tax asset losses	2,421,502	1,111,559	2,421,502	-
Unrecognised deferred tax asset other	308,942	84,507	35,898	35,208
Unrecognised deferred tax equity	(6,000)	-	(6,000)	-
Unrecognised deferred tax liabilities	(381,575)	(325,069)	(270,651)	(247,331)
Net Unrecognised deferred tax asset	2,342,869	870,997	2,180,749	(212,123)

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

5. (a) KEY MANAGEMENT PERSONNEL COMPENSATION

Names and positions held of parent entity directors and specified executives at any time during the financial year are:

Key Management Person.	Position Held
Dermot Patterson	Chief Executive Officer Appointed 4th September, 2006
Douglas Sims	Executive Director
Peter Tiede	Executive Director Chief Financial Officer. Appointed 7 May 2007
Peter Jooste	Non -executive Chairman
David Whitelaw	Non- executive Director
Francis(Don) O'Sullivan	Non- executive Director
Trevor Strahan	Company Secretary

Key Management Person subsidiaries

Angus Taylor	Medical Industries Australia
Andre Lagadec	Portland Surgical Products
Craig Inglis	Westcoast Surgical & Medical Supplies

(b) KEY MANAGEMENT PERSONNEL COMPENSATION

Parent Entity Directors' Compensation

2007	**Short-term benefits**				**Post Employment**	**Share-based Payments**		**Total**
	Cash Salary & Commissions	Cash profit share	Non-Cash Benefits	Other	Super-annuation	Equity	Options	
	$	$	$	$	$	$	$	$
D P Patterson	151,757	-	18,608	-	12,562			182,927
D A Sims	121,000	-	-	-	10,890	-	-	131,890
P M Tiede	127,917	-	-	-	11,512	-	-	139,429
P I Jooste	25,000	-	-	30,000	-	-	-	55,000
D J Whitelaw	64,945	-	-	-	5,845	-	-	70,790
FD O'Sullivan	45,750	-	-	-	2,812	-	-	48,562
T P Strahan	102,240	-	-	-	6,058	-	-	108,298
Totals	638,609	-	18,608	30,000	49,679	-	-	736,896

Parent Entity Directors' Compensation

2006	Short-term benefits				Post Employment	Share-based Payments		
	Cash Salary, & Commissions	Cash profit share	Non-Cash Benefits	Other	Super-annuation	Equity	Options	Total
	$	$	$	$	$	$	$	$
FD O'Sullivan	192,917	-	-	-	3,188	-	-	196,105
E J Picton-Warlow	35,417	-	-	-	3,188	-	-	38,605
D A Sims	107,417	-	-	-	9,667	-	-	117,084
T P Strahan	59,072	-	-	-	5,316	-	-	64,388
P M Tiede	104,583	-	-	-	9,412	-	-	113,995
D J Whitelaw	159,654	-	-	-	14,369	-	-	174,023
Totals	659,060	-	-	-	45,140	-	-	704,200

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

Subsidiary Specified Executives' Compensation

2007	Short-term benefits				Post Employment	Share-based Payments		
	Cash Salary & Commissions	Cash-profit share	Non-Cash Benefits	Other	Super-annuation	Equity	Options	Total
	$	$	$	$	$	$	$	$
A. Taylor #	86,058	-	-	-	7,745	-	-	93,803
C. Inglis	113,500	-	-	-	10,215	-	-	123,715
Totals	199,558	-	-	-	17,960	-	-	217,518

A. Taylor Appointed October 2006 replacing E Hawton.

Subsidiary Specified Executives' Compensation

2006	Short-term benefits				Post Employment	Share-based Payments		
	Cash, Salary & Commissions	Cash-profit share	Non-Cash Benefits	Other	Super-annuation	Equity	Options	Total
	$	$	$	$	$	$	$	$
P Bunce	114,296	6,068	-	-	-	-	-	120,364
E Hawton	122,591	13,500	-	-	-	-	-	136,091
Totals	236,887	19,568	-	-	-	-	-	256,455

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

(c) Compensation 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	-	-	-	-	-	-	-
	-	-					

(d) Shares Issued on Exercise of Compensation Options

Options Granted As Remuneration

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

(e) Options and Rights Holdings

Number of Options held by Key Management Personnel

2007	Balance 1.7.06	Granted as Remunerat-ion	Options Lapsed *	Net Change Other	Current Balance 30.6.07	Total Vested	Total Exercisable	Total Un Exercisable
Parent Entity Directors								
FD O'Sullivan	15,625	-	(15,625)	-	-	-	-	-
D P Patterson	-	-	-	-	-	-	-	-
P I Jooste	-	-	-	-	-	-	-	-
D A Sims	14,063	-	(14,063)	-	-	-	-	-
T P Strahan	34,375	-	(34,375)	-	-	-	-	-
P M Tiede	4,688	-	(4,688)	-	-	-	-	-
D J Whitelaw	15,625	-	(15,625)	-	-	-	-	-
Total	84,376	-	(84,376)	-	-	-	-	-

* $0.20 cent options exercisable on 30 November 2006 expired, and the officers holdings of 84,376 listed options lapsed.

(f) Shareholdings

Number of Shares held by Parent Entity Directors and Specified Executives

2007	Balance 1/07/2006	Received as Compensation	Options Exercised	Net Change Other*	Current Balance
Parent Entity Directors					
F D O'Sullivan	16,636,251	-	-	(1,000,000)	15,636,251
D.P. Patterson	-	-	-	220,000	220,000
D A Sims	28,793,127	-	-	(2,060,000)	26,733,127
T P Strahan	835,550	-	-	(160,645)	674,905
P M Tiede	53,575	-	-	-	53,575
D. Whitelaw	131,250	-	-	-	131,250
Total	46,449,753	-	-	(3,000,645)	43,449,108

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

(g) 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 emphasise 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.
There has been no alteration to the terms of the bonuses paid since grant date.

6. REMUNERATION OF AUDITORS

	Note	Consolidated Group 2007 $	Consolidated Group 2006 $	Parent Entity 2007 $	Parent Entity 2006 $
Remuneration of the auditor of the Parent entity for:					
- auditing or reviewing the financial report		**64,150**	30,625	**64,150**	30,625
- taxation services		**-**	-	**21,500**	-
		64,150	30,625	**85,650**	30,625
Remuneration of the auditor of subsidiaries for:					
- auditing or reviewing the financial report		**57,528**	23,767	**-**	-
		57,528	23,767	**-**	-

7. EARNINGS PER SHARE

	Consolidated Group 2007 $	Consolidated Group 2006 $
(a) Reconciliation of earnings to net profit or loss		
Nett profit / (loss)	**(2,007,363)**	26,079
(b) Earnings/(loss) used in the calculation of basic EPS	**(2,007,363)**	26,079
(c) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	**147,000,299**	128,427,234

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

8. CASH AND CASH EQUIVALENTS

	Note	Consolidated Group 2007 $	Consolidated Group 2006 $	Parent Entity 2007 $	Parent Entity 2006 $
Cash at Bank and in hand		**729,697**	956,326	**366,051**	221,971
Short-term bank deposits		**105,177**	18,500	**19,645**	18,500
		834,874	974,826	**385,696**	240,471

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	Note	Consolidated Group 2007 $	Consolidated Group 2006 $	Parent Entity 2007 $	Parent Entity 2006 $
Cash and cash equivalents		**834,874**	974,826	**385,696**	240,471
Bank Overdraft	19(a)	**(65,017)**	(69,858)	**-**	-
		769,857	904,968	**385,696**	240,471

9. TRADE & OTHER RECEIVABLES

	Consolidated Group 2007 $	Consolidated Group 2006 $	Parent Entity 2007 $	Parent Entity 2006 $
CURRENT				
Trade receivables	**1,593,358**	1,012,749	**-**	-
Provision for impairment of receivables	**(49,098)**	(1,000)	**-**	-
	1,544,260	1,011,749	**-**	-
Amounts receivable from:				
- key management personnel	**30,000**	-	**30,000**	-
	1,574,260	1,011,749	**30,000**	-
NON CURRENT				
Amount receivable from:				
- wholly owned entities	**-**	-	**7,164,946**	6,483,243
- associated companies	**374,617**	261,112	**374,617**	348,844
	374,617	261,112	**7,539,563**	6,832,087

As there is no immediate plan to repay intercompany loans by subsidiaries ($7,164,946) until sufficient surplus funds, become available, these loans are considered to be an investment in the subsidiaries.

9. TRADE & OTHER RECEIVABLES (CONT)

Key Management Personnel Loans

	Balance at Beginning of Year	Balance at end of Year	Interest Charged	Interest Not Charged	Provision for Impairment	Number of Individuals
	$	$	$	$	$	
Key Management Personnel						
2007	-	30,000	-	-	-	1
2006	-	-	-	-	-	-

	Balance 1/7/2006	Interest Charged	Interest Not Charged	Provision for Impairment	Balance 30/6/07	Highest Balance during Period
	$	$	$	$	$	$
Individuals with loans above $25,000 in reporting period						
Douglas A Sims	-	-	-	-	30,000	30,000

The above loan to Douglas Sims represents an unsecured loan. The loan is repayable on 31 October 2007 and bears no interest per annum.

10. FINANCIAL ASSETS	**Consolidated Group**		**Parent Entity**	
	2007	2006	**2007**	2006
CURRENT	$	$	**$**	**$**
Available for sale financial assets	**1,885,074**	1,512,547	**1,885,074**	1,512,547
	1,885,074	1,512,547	**1,885,074**	1,512,547
NON-CURRENT				
Available for sale financial assets	**807,889**	231,001	**1,545,602**	968,712
	807,889	231,001	**1,545,602**	968,712
(a) Available for sale financial assets Comprise				
CURRENT				
Listed investments, at fair value				
- shares in listed corporations	**-**	1,512,547	**-**	1,512,547
Total current available for sale financial assets	**-**	1,512,547	**-**	1,512,547
Unlisted investments at cost				
- Shares in other corporations	**1,885,074**	-	**1,885,074**	-
	1,885,074	-	**1,885,074**	-
NON-CURRENT				
Listed investments, at fair value				
- shares in listed corporations	-	231,001	-	968,712
	-	231,001	-	968,712
Unlisted investments at cost				
- shares in other corporations	**807,889**	-	**1,545,602**	-
	807,889	-	**1,545,602**	-
Total non-current available for sale financial assets	**807,889**	231,001	**1,545,602**	968,712

Available for sale financial assets comprise investments in ordinary issued capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.
The fair value of unlisted available-for-sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. As a result, all unlisted investments are reflected at cost. Unlisted available-for-sale financial assets exist within active markets and could be disposed of if required.

11. INVENTORIES				
CURRENT AT COST				
-Raw Materials and stores	**286,544**	376,142	**-**	-
-Finished Goods	**3,287,846**	2,321,739	**-**	-
	3,574,390	2,697,881	**-**	-

12. INVESTMENTS ACOUNTED FOR USING THE EQUITY METHOD

-Associated Companies	**444,574**	10	**852,506**	452,502
	444,574	10	**852,506**	452,502

13. ASSOCIATED COMPANIES

Interests are held in the following associated companies

Name	Principal Activities	Country of Incorporation	Shares	Ownership Interest		Carrying amount of investment	
				2007 %	2006 %	**2007**	2006
Unlisted:						**$**	$
Ampack Medical	Sterile Wrap Manufacture	Australia	Ord	**50**	0	**400,000**	-
Health In Form	Medical consumable	South Africa	Ord	**45**	45	**-**	10
Eastland Medical Ltd	Medical consumable	United Kingdom	Ord	**41**	41	**-**	-
						400,000	10

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

	Consolidated Group		Parent Entity	
	2007	2006	**2007**	2006
Balance at beginning of the financial year	**10**	10	**452,506**	452,502
Add: New investments during the year	**399,990**	2,887	**400,000**	-
Share of associated company's profit from ordinary activities after income tax	**44,574**	(2,887)	**-**	-
Share of associated company's reserve increments arising during the year	**-**	-	**-**	-
Less: Dividend revenue from associated company	**-**	-	**-**	-
Disposals during the year	**-**	-	**-**	
Other	**-**	-	**-**	-
Balance at end of financial year	**444,574**	10	**852,506**	452,502

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

Share of associate's profit from ordinary activities before income tax expense	**44,574**	(2,887)	**-**	-
Share of associate's profit from ordinary activities after income tax	**44,574**	(2,887)	**-**	-

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

Current Assets	**200,366**	137,878	**-**	-
Non-Current Assets	**14,136**	11,197	**-**	-
Total Assets	**214,502**	149,075	**-**	-
Current Liabilities	**182,600**	64,886	**-**	-
Non-Current liabilities	**27,172**	128,353	**-**	-
Total Liabilities	**209,772**	193,239	**-**	-
Net Assets	**4,730**	(44,164)	**-**	-
Revenues	**434,308**	349,779	**-**	-
Profit / (loss) after income tax of associates	**44,574**	(2,887)	**-**	-

14. CONTROLLED ENTITIES

(a) Controlled Entities Consolidated.	Country of Incorporation	Percentage Owned (%) *	
Parent Entity		**2007**	2006
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**	-
Eastland Medical Systems South Africa Limited	South Africa	**65**	65

* Percentage of voting power is in proportion to ownership

(b) Acquisition of Controlled Entities

Westcoast Surgical & Medical Supplies	Australia	**100**	-

(c) Disposal of Controlled Entities

Nil

15. PROPERTY, PLANT & EQUIPMENT

	Consolidated Group		Parent Entity	
	2007	2006	**2007**	2006
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	**(28,144)**	(14,250)	**-**	-
Total Buildings	**541,856**	555,750	**-**	-
Total Land & Buildings	**641,856**	655,750	**-**	-
Plant and Equipment				
-At Cost	**1,359,160**	949,593	**323,835**	275,937
Accumulated depreciation	**(849,597)**	(553,959)	**(145,213)**	(117,060)
Accumulated impairment costs	**-**	-	**-**	-
	509,563	395,634	**178,622**	158,877
Leasehold Improvements				
-at Cost	**77,840**	58,058	**13,882**	-
Accumulated depreciation	**(18,825)**	(11,550)	**(236)**	-
	59,015	46,508	**13,646**	-
Leased Plant and Equipment				
-Capitalised leased assets	**297,338**	327,830	**91,659**	80,272
Accumulated depreciation	**(77,644)**	(72,910)	**(17,584)**	(4,727)
	219,694	254,920	**74,075**	75,545
Total plant and equipment	**788,272**	697,062	**266,343**	234,422
Total Property, Plant and Equipment	**1,430,128**	1,352,812	**266,343**	234,422

(a) Movements in Carrying Amounts	Freehold Land	Buildings	Leasehold Improvements	Plant and Equipment	Leased Plant And Equipment	Total
Consolidated Group						
Balance at 1 July 2005	100,000	570,000	47,254	394,975	69,019	1,181,248
Additions	-	-	8,264	119,972	252,507	380,743
Disposals	-	-	-	(14,452)	(36,050)	(50,502)
Depreciation expense	-	(14,250)	(9,010)	(104,861)	(30,556)	(158,677)
Balance as 30 June 2006	100,000	555,750	46,508	395,634	254,920	1,352,812
Additions	-	-	19,782	214,285	41,654	275,721
Disposals	-	-	-	(57,117)	(72,146)	(129,263)
Additions through acquisition of entity	-	-	-	149,608	-	149,608
Depreciation expense		(13,894)	(7,275)	(192,847)	(4,734)	(218,750)
Balance at 30 June 2007	100,000	541,856	59,015	509,563	219,694	1,430,128

Parent Entity	Freehold Land	Buildings	Leasehold Improvements	Plant and Equipment	Leased Plant And Equipment	Total
Balance at 1 July 2005	-	-	-	90,281	32,909	123,190
Additions	-	-	-	91,614	47,363	138,977
Depreciation expense	-	-	-	(23,018)	(4,727)	(27,745)
Balance at 30 June 2006	-	-	-	158,877	75,545	234,422
Additions	-	-	13,882	47,898	11,387	73,167
Depreciation expense	-	-	(236)	(28,153)	(12,857)	(41,246)
Balance at 30 June 2007	-	-	13,646	178,622	74,075	266,343

(b) Impairment losses

No impairment loss was recognised in the income statement during the prior period.

The manufacturing unit comprises multiple pieces of machinery that combine to produce a largely independent cash flow for the company. The unit reports monthly to management and cash inflows and outflows could not be attributed to any individual asset within the unit or a smaller group of assets.

16. INTANGIBLE ASSETS	Consolidated Group		Parent Entity	
	2007	2006	**2007**	2006
Goodwill	**$**	$	**$**	$
Cost	**5,697,115**	4,635.076	**-**	-
Vendor skills on acquisition	**504,000**	-	**-**	-
Amortisation of Vendor Skills	**(152,777)**	-	**-**	-
Net carrying value	**6,048,338**	4,635,076	**-**	-
Trademarks and licences				
Cost	**2,492,663**	2,502,659	**2,192,659**	2,192,659
Accumulated impairment losses		-	**-**	-
Net carrying value	**2,492,663**	2,502,659	**2,192,659**	2,192,659
Total intangibles	**8,541,001**	7,137,735	**2,192,659**	2,192,659

Consolidated Group:	Goodwill	Trademarks & Licences
Year ended 30 June 2006		
Balance at the beginning of year	4,279,060	2,476,159
Additions	356,016	26,500
Closing carrying value as at 30 June 2006	**4,635,076**	**2,502,659**
Year ended 30 June 2007		
Balance at the beginning of year	4,635,076	2,502,659
Additions	16,863	-
Acquisition through business combinations (refer note 24 (b))	1,549,176	-
Amortisation charge	(152,777)	(9,996)
Closing carrying value as at 30 June 2007	**6,048,338**	**2,492,663**

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

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

	2007	2006
Manufacturing segment	**69,060**	69,060
Distribution segment	**5,979,278**	4,566,016
Total	**6,048,338**	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 5 year period using an estimated growth rate. The cash flows are discounted using the yield of current cash rates 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%	9.00%
Distribution segment	20.00%	9.00%

17. OTHER ASSETS	Consolidated Group		Parent Entity	
	2007	2006	**2007**	2006
CURRENT	**$**	$	**$**	$
Prepayments	**-**	14,827	**-**	-
	-	14,827	**-**	-
NON-CURRENT				
Deferred Research & Development	**1,011,284**	913,529	**868,256**	770,501
PAP Grinding Machinery	**515,592**	515,592	**515,592**	515,592
Formation Expense	**4,570**	5,640	**2,000**	2,000
	1,531,446	1,434,761	**1,385,848**	1,288,093

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

18. TRADE & OTHER PAYABLES	**Consolidated Group**		**Parent Entity**	
	2007	2006	**2007**	2006
CURRENT	**$**	$	**$**	$
Unsecured liabilities				
Trade payables	**2,317,886**	512,137	**1,378,969**	129,703
Total Payables	**2,317,886**	512,137	**1,378,969**	129,703

19. FINANCIAL LIABILITIES				
CURRENT				
Unsecured liabilities				
Lease liability	**98,100**	76,593	**83,720**	13,907
Convertible Notes	**277,000**	-	**277,000**	-
	375,100	76,593	**360,720**	13,907
Secured liabilities				
Bank overdrafts	**65,015**	69,856	**-**	-
Bank loans	**2,108,550**	977,722	**-**	-
	2,173,565	1,047,578	**-**	-
Total current liabilities	**2,548,665**	1,124,171	**360,720**	13,907
NON-CURRENT				
Unsecured liabilities				
Lease liability	**145,613**	233,852	**-**	65,264
	145,613	233,852	**-**	65,264
Secured liabilities				
Bank loans	**1,422,779**	1,227,082	**-**	-
	1,422,779	1,227,082	**-**	-
Total non-current liabilities	**1,568,392**	1,460,934	**-**	65,264

(a) Total current and non-current secured liabilities				
Bank overdraft	**65,017**	69,858	-	-
Bank loan	**3,531,329**	2,204,804	-	-
	3,596,346	2,274,662	-	-

(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.	**12,861,864**	8,393,191	-	-
	13,531,864	9,063,191	-	-

(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 exceed 1.3:1 of total tangible assets, and borrowing costs not to exceed 3.00:1 of profit from before income tax and finance costs. As part of the acquisition of Westcoast Surgical & Medical Supplies on 31 August 2006 (refer Note 24(b)) a commercial advance was sourced from Bank of Western Australia (Bank west) for $1,250,000 plus a Bank overdraft facility of $100,000. The covenants within the additional bank borrowings for Westcoast Surgical & Medical Supplies are as follows: Interest cover not less than 2.5:1, Debt Ratio not less than 1.20:1, Bank overdraft not less than 30% of debtors less than 90 days, and a minimum EBITDA, 1st quarter $85,000, 2nd quarter $125,000 and full year $420,000 (Post 2007)

(e) Bills Payable	**Consolidated Group**		**Parent Entity**	
	2007	2006	**2007**	2006
	$	$	**$**	$
Commercial bills payable have been drawn as a source of long term finance. They mature on 90 days and bear variable interest at 8.80% payable monthly in advance (2006: 8.10%)	**250,000**	235,000	**-**	-
	250,000	235,000	**-**	-

20. PROVISION FOR LONG-TERM EMPLOYEE BENEFITS	Consolidated Group		Parent Entity	
	2007	2006	**2007**	2006
CURRENT	**$**	$	**$**	$
Employee Entitlements				
Opening balance at beginning of year	**167,824**	233,190	**68,477**	39,519
Additional provisions raised during year	**105,281**	95,086	**57,915**	61,341
Amounts used	**(36,966)**	(160,452)	**(29,962)**	(32,383)
Balance at end of year	**236,139**	167,824	**96,430**	68,477
NON-CURRENT				
Employee Entitlements				
Opening balance at beginning of year	**-**	31,521	**-**	-
Additional provisions raised during year	**-**	7,560	**-**	-
Amounts used	**-**	(26,290)	**-**	-
Balance at end of year	**-**	12,791	**-**	-
Analysis of Total Provisions				
Current	**236,139**	167,824	**96,430**	68,477
Non-Current	**-**	12,791	**-**	-
	236,139	180,615	**96,430**	68,477

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 have been included in Note 1 to this report.

21. ISSUED CAPITAL	Consolidated Group		Parent Entity	
	2007	2006	**2007**	2006
	$	$	**$**	$
158,885,529 (2006: 128,427,234) fully paid ordinary shares	**20,818,490**	17,704,365	**20,818,490**	17,704,365
	20,818,490	17,704,365	**20,818,490**	17,704,365

		2007	2006	2007	2006
Ordinary Shares		**No**	No	**No**	No
At the beginning of reporting period		128,427,234	122,530,359	128,427,234	122,530,359
Shares issued during year:					
1/07/05	To 30/06/06		5,896,875		5,896,875
3/08/06	Ampack Medical acquisition	2,000,000		2,000,000	
31/08/06	Westcoast Surgical settlement	5,670,000		5,670,000	
17/10/06	Issued at $0.0924 cents	220,000		220,000	
24/10/06	Issued at $0.133 cents	234,962		234,962	
2/11/06	Ampac Medical adjustment $0.12c	1,333,333		1,333,333	
30/11/06	International placement at $0.10 c	5,000,000		5,000,000	
18/12/06	International placement at $0.10 c	8,000,000		8,000,000	
20/12/06	International placement at $0.10 c	5,000,000		5,000,000	
22/12/06	International placement at $0.10 c	2,000,000		2,000,000	
22/06/07	Issued at $0.11 cents	1,000,000		1,000,000	
	Balance 30 June 2007	**158,885,529**	128,427,234	**158,885,529**	128,427,234

Ordinary shares participate in dividends and the proceeds on winding up of the entity in proportion to the number of shares held. At the shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

22. CAPITAL AND LEASING COMMITMENTS	Consolidated Group		Parent Entity	
	2007	2006	**2007**	2006
(a) Finance Lease Commitments	**$**	$	**$**	$
Payable: minimum lease payments				
-not later than 12 months	**98,100**	76,593	**19,416**	13,907
-between 12 months and five years	**145,613**	233,851	**64,303**	65,264
Minimum lease payments	**243,713**	310,444	**83,719**	79,171
Less future finance charges	**-**	-	**-**	-
Present value of minimum lease payments	**243,713**	310,444	**83,719**	79,171

The finance lease on manufacturing plant and equipment and motor vehicles, are 3 year leases with an option to refinance at the end. The equipment and motor vehicles being leased have lease payments paid monthly in advance with a residual of 20%.

(b) Operating Lease Commitments

Non- cancellable operating leases contracted for but not capitalised in the financial statements				
Payable: minimum lease payments				
-not later than 12 months	**387,885**	398,892	**51,591**	87,864
-between 12 months and five years	**1,163,655**	1,196,676	**103,182**	73,220
	1,551,540	1,595,568	**154,773**	161,084

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

(c) Capital Expenditure Commitments

Capital expenditure commitments contracted for:				
Capital expenditure projects	**650,500**	-	**650,500**	-
	650,500	-	**650,500**	-
Payable				
- not later than 12 months	**-**	-	**-**	-
- between 12 months and five years	**650,500**	-	**650,500**	-
- greater than 5 years	**-**	-	**-**	-
	650,500	-	**650,500**	-

23. CONTINGENT LIABILITIES & CONTINGENT ASSETS

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

Contingent Liabilities

Business and Asset Sale Agreement.	**Year 1**	**Year 2**	**Year 3**
Pursuant to the Business and Asset Sale Agreement for the acquisition of West Coast Surgical & Medical Supplies on 31st August 2006, the following additional amounts are payable by the company to vendors, contingent upon meeting these agreed annual anniversary date EBIT targets.			
Target EBIT.	**# 552,000**	**624,000**	**748,000**
Additional Amounts payable	**168,000**	**168,000**	**168,000**

Year one target not achieved

	Consolidated Group		**Parent Entity**	
	2007	2006	**2007**	2006
Related Party Guarantees provided by the parent entity.	**$**	$	**$**	$
The parent entity has provided guarantees to third parties in relation to the performance and obligations of controlled entities in respect to banking facilities and intercompany loans. The guarantees are for the terms of the facilities and arrangements.	-	-	**7,164,946**	6,483,243

CASH FLOW INFORMATION

24. (a) Reconciliation of Cash Flow from Operations with Profit after Income Tax

	Consolidated Group		**Parent Entity**	
	2007	2006	**2007**	2006
	$	$	**$**	$
Profit / (loss) after income tax	**(2,007,363)**	26,079	**(2,180,100)**	96,347
Cash flows excluded from profit / (loss) attributable to operating activities:				
Non-cash flows in Profit/ (loss)				
Bad/ Doubtful Debts	**233,719**	-	**1,265,463**	-
Depreciation / Amortisation	**371,527**	158,677	**41,246**	27,745
Write-downs of recoverable amount	**-**	18,000	**-**	18,000
Interest on Unsecured Loan	**-**	15,000	**-**	-
Unrealised foreign exchange gains	**19,387**	-	**-**	-
Other non-operating expenses	**2,022,578**	-	**603**	-
Net gain on disposal of property, plant & equipment	**3,701**	19,144	**-**	69
Obsolete Stock	**105,801**	-	**-**	-
Net gain on disposal of investments	**-**	-	**(952,671)**	-
Unrealised gain on investments	**-**	(1,512,547)	**-**	(1,512,547)
Share of associated companies net profit /loss after income tax.	**(44,574)**	2,887	**-**	-
Changes in assets and liabilities:				
(Increase) / decrease in trade and term receivables	**(403,898)**	244,703	**66,994**	(11,240)
(Increase) / decrease in prepayments	**14,827**	141,431	**-**	111,077
(Increase) / decrease in inventories	**(982,910)**	398,404	**-**	-
(Increase) / decrease in trade payables and accruals	**721,107**	35,117	**(76,871)**	(90,639)
Increase / (decrease) in provisions	**8,924**	(88,010)	**27,952**	13,506
Net cash provided by / (used in) operations	**62,826**	(541,115)	**(1,807,384)**	(1,347,682)

24. (b) Acquisition of entities

During the year 100% of the controlled entity Westcoast Surgical & Medical Supplies, a medical distribution company and 50% of Ampack Medical Pty Ltd, a sterile barrier manufacturer, were acquired.

The parent entity acquired a 100% of the net assets of Westcoast Surgical and Medical Supplies, a distributor of medical products, for the purchase consideration of $2,278,724 on the 31st August 2006. The purchase of the net assets in the company was satisfied by $850,500 payable by the issue of shares in the parent company at market rates plus a cash payment of $1,428,224.

The parent entity acquired a 50% shareholding of Ampack Medical Pty Ltd for $400,000 on the 2nd August 2006. The purchase consideration was satisfied by the issue of 3,333,333 ordinary fully paid shares at market rates.

Details of these transactions are:

	Westcoast Surgical		**Ampack Medical**
Purchase consideration	**2,678,724**		**400,000**
Cash consideration	**1,428,224**		**-**
Equity issued as consideration	**850,500**		**400,000**
Cash outflow	**2,278,724**		**400,000**
Fair Value Assets & liabilities held at acquisition date:			
Cash	**-**		**5,366**
Receivables	**527,558**		**24,631**
Inventories	**831,975**		**147,447**
Property, plant & equipment	**149,605**		**193,003**
Payables	**(779,590)**		**(291,967)**
	729,548		**78,480**
Goodwill on consolidation	**1,549,176**	#	**321,520**
	2,278,724		**400,000**

The goodwill recognised on the acquisition is attributable mainly to the skills and technical talent of the acquired business's senior management and the existence of a well established client and customer base for the West Australian medical products market, also the synergies expected to be achieved from integrating the company into the consolidated entities medical products business.

Westcoast Surgical operations since acquisition has contributed before depreciation and amortisation $189,893 to the group. It is not practicable to ascertain the full contribution for Westcoast Surgical to the group's operations for the full period.

Goodwill on the purchase of Ampack is not recognised in the accounts as the purchase was for 50% of the company and is accounted for as an associate of the Group.

24. (b) Acquisition of entities (continued)

Allocation of Goodwill:

Vendor Skills acquired –amortised over 3 years	**504,000**
Unallocated purchase consideration	**1,045,176**
	1,549,176

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

24. (c) Non-cash Financing and Investing Activities.

i) Share issue.
5,670,000 ordinary shares were issued at $0.15 cents as part of the consideration for the purchase of Westcoast Surgical & Medical Supplies. The share issue was based on the fair value of the company.

ii) Share issue.
2,000,000 ordinary shares were issued at $0.20 cents in consideration for the 50% purchase of Ampack Medical Pty Ltd. A further 1,333, 333 ordinary shares were issued at $0.12 cents per share in November 2006 for the adjustment to the issue price of shares allotted at settlement.
The share issue was based on the fair value of the company.

iii) Convertible note issue.
179,133 converting preference shares were issued at $1.00 as part of the consideration for the purchase of Westcoast Surgical & Medical Supplies. The Convertible Note issue was based on the fair value of the company.

24. (d) Credit Standby Arrangements with Banks

	Consolidated Group		**Parent Entity**	
	2007	2006	**2007**	2006
	$	$	**$**	$
Credit facility	**460,000**	300,000	-	-
Amount utilised	**(315,012)**	(287,928)	**-**	-
	144,988	12,072	**-**	-
The major facilities are summarised as follows:				
Bank overdrafts	**150,000**	50,000	-	-

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.

24. (e) Loan Facilities

Trade Finance	**2,000,000**	2,000,000	-	-
Amount utilised	**(1,891,959)**	(1,779,285)	-	-
The major facilities are summarised as follows:	**108,041**	220,715	-	-

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.

25. EVENTS AFTER THE BALANCE SHEET DATE.

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

- On the 9th July 2007 a revised Power Point presentation was given to a number of Stockbrokers and released to the market.
- On 20th July 2007 the company advised that ArTiMist™ had been released for the commencement of Clinical Trials
- On the 21st August, 2007 the Company issued 12.3 million ordinary shares at $0.18cents for cash, with the cost of placement of $121,700
- On 30th August 2007 an offer was posted to Minority shareholders with Unmarketable Share Parcels for the Company to sell those shares if those shareholders elected to do so.

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.

26. 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.

	Consolidated Group		Parent Entity	
Transactions with related parties:	**2007**	2006	**2007**	2006
Key Management Personnel	**$**	$	**$**	$
Mr Trevor Strahan- Convertible Note	**50,000**	-	**50,000**	-
Mr Peter Jooste- Legal Retainer	**30,000**	-	**30,000**	-

27. SEGMENT REPORTING

The consolidated group operates predominantly in one business segment and geographic location being the distribution of medical, therapeutic and allied products within Australia.

Primary Reporting - Business Segments

	Eliminations			Consolidated Group (Continuing Operations)		Consolidated Group (Discontinuing Operations	
	2007	2006		**2007**	2006	**2007**	2006
	$000	$000		**$000**	$000	**$000**	$000
REVENUE							
External Sales				**9,508**	6,877	**-**	-
Other Segments	**(883)**	(9)					
Total sales revenue	**(883)**	(9)		**9,508**	6,877	**-**	-
Unallocated revenue				**1,044**	1,830	**-**	-
Total Revenue from ordinary activities				**10,552**	8,707	**-**	-
RESULT							
Segment result				**(812)**	(66)	**-**	-
Unallocated expenses net of unallocated revenue				**(1,240)**	95	**-**	-
Share of net profits/loss of equity accounted associates				**45**	(3)	**-**	-
Profit from ordinary activities before income tax expense				**(2,007)**	26	**-**	-
Income tax expense				**-**	-	**-**	-
Profit after income tax				**(2,007)**	26	**-**	-
ASSETS							
Segment assets				**13,353**	10,207	**-**	-
Unallocated assets				**7,586**	6,422		
Total Assets				**20,939**	16,629		
LIABILITIES							
Segment liabilities	**7,018**	6,476		**6,419**	3,000	**-**	-
Unallocated liabilities				**252**	277	**-**	-
Total liabilities				**6,671**	3,277	**-**	-
OTHER							
Investments accounted for using the equity method				**-**	-	**-**	-
Acquisitions of non-current segment assets	**(73)**	(139)		**1,502**	244	**-**	-
Depreciation and amortisation of segment assets	**(41)**	(28)		**330**	159	**-**	-
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	
	2007	2006	**2007**	2006	**2007**	2006
	$000	$000	**$000**	$000	**$000**	$000
Geographical location:						
Australia	**9,508**	8,367	**14,269**	13,352	**1,502**	244
	9,508	8,367	**14,269**	13,352	**1,502**	244

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

Intersegment Transfers
Segment revenues, 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 consolidated group at an arm's length. These transfers are eliminated on consolidation.

Business and Geographic Segments
Business Segments
The consolidated group has the following 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 consolidated group'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 2007.

28. CHANGE IN ACCOUNTING POLICY
The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing this financial report.

- AASB 7 *Financial Instruments*: *Disclosures* (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect top the Group's financial instruments and share capital.
- AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 *Financial Instruments*: *Disclosure and Presentation,* AASB 101 *Presentation of Financial Statements,* AASB 114 *Segment Reporting, AASB 117 Leases*, AASB 133 *Earnings Per Share,* AASB 139 *Financial Instruments: Recognition and Measurement,* AASB 1 *First-time adoption of Australian Equivalents to International Financial Reporting Standards,* AASB 4 *Insurance Contracts,* AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the consolidated financial report.
- AASB 8 *Operating Segments* replaces the presentation for annual reporting periods beginning on or after 1 January 2009 and it is not expected to have an impact on the financial results of the Company and the Group as the standard is only concerned with disclosures.
- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations,* AASB 6 Exploration *for and Evaluation of Mineral Resources,* AASB 102 *Inventories,* AASB 107 *Cash Flow Statements* AASB 119 *Employee Benefits,* AASB 127 *Consolidated and Separate Financial Statements,* AASB 134 *Interim Financial Reporting,* AASB 136 *Impairment Assets,* AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts.* AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 *Operating Segments.* This standard is only expected to impact disclosures contained within the financial report.

- AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation II amends AASB 2 *Share-based Payments* to insert the transitional provisions of IFRS 2, previously contained in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards.* AASB 2007-1 is applicable for annual reporting periods beginning on or after 1 March 2007 and is not expected to have any impact on the consolidated financial report.
- AASB 2007-2 Amendments to Australia Accounting Standards arising from AASB Interpretation 12 makes amendments to AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards,* AASB 117 *Leases,* AASB 118 *Revenue*, AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance,* AASB 121 *The Effects of Changes in Foreign Exchange Rates,* AASB 127 *Consolidated and Separate Financial Statement,* AASB 131 *Interest in Joint Ventures,* and AASB 139 *Financial Instruments Recognition and Measurement.* AASB 2007-2 is applicable for annual reporting periods beginning on or after 1 January 2008 and must be applied at the same time as the Interpretation 12 Service Concession Arrangements.
- AASB 2007-2 Amendments to Australian Accounting Standards also amends references to “UIG Interpretation” to interpretations. This amending standard is applicable to annual reporting periods ending on or after 28 February 2007.
- AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and other Amendments makes consequential amendments to AASB 1 First-time adoption of Australian Equivalents to International Financial Reporting Standards, AASB 2 Share Based Payments, AASB 3 Business Combinations, AASB 4 Insurance Contracts, AASB 5 Non-Current Assets Held for Sale and Discontinued Operations, AASB 6 Exploration for and Evaluation of Mineral Resources, AASB 7 Financial Instruments : Disclosures, AASB 102 Inventories, AASB 107 Cash Flow Statement, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, AASB 110 Events after the Balance Sheet Date. AASB 112 Income Taxes, AASB 114 Segment Reporting, AASB 116 Property, Plant and Equipment, AASB 117 Leases, AASB 118 Revenue, AASB 119 Employee Benefits, AASB 120 Accounting for Government Grants and Disclosure of Government Assistance, AASB 121 The Effects of Changes in Foreign Currency Rates, AASB 127 Consolidated and Separate Financial Statements, AASB 128 Investment in Associates, AASB 129 Financial Reporting in Hyperinflationary Economies, AASB 130 Disclosures of Financial Statement of Banks and Similar Financial Institutions, AASB 131 Interest in Joint Ventures, AASB 132 Financial Instruments: Disclosures and Presentation, AASB 133 Earnings Per Share, AASB 134 Interim Financial Reporting, AASB 136 Impairment of Assets, AASB 137 Provision, Contingent Liabilities and Contingent Assets, AASB 138 Intangible Assets, AASB 139 Financial Instruments: Recognition and Measurement, AASB 141 Agriculture, AASB 1023 General Insurance Contracts, and AASB 1038 Life Insurance Contracts. This standard is applicable to annual reporting periods beginning on or after 1 July 2007. The potential impact on the Company has not yet been determined.
- AASB 2007-5 Amendments to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities requires inventories held for distribution by not-for-profit entities to be measured at the lower of cost and current replacement costs. AASB 2007-5 is applicable for annual reporting periods beginning on or after 1 July 2007 and is not expected to have an impact on the financial results or disclosures contained within the financial report.
- AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 makes amendments to AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 101 Presentation of Financial Statements, AASB 107 Cash Flow Statements, AASB 111 Construction contracts, AASB 116 Property, Plant and Equipment, AASB 138 Intangible Assets, Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities and Interpretation 12 Service Concession Arrangements. AASB 2007-6 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be applied at the same time as AASB 123 Borrowing Costs. This standard principally removes the references to expensing borrowing costs on qualifying assets.
- AASB 2007-7 Amendments to Australian Accounting Standards arising from AASB 2007-4 makes amendments to AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 2 Share-Based Payment, AASB 4 Insurance Contracts, AASB 5 Non-current Assets Held for Sale and Discontinued Operations, AASB Cash Flow Statements and AASB 128 Investments in Associates. AASB 2007-7 is applicable for annual reporting periods beginning on or after 1 July 2007. This standard is only expected to impact disclosures contained within the financial report.

29. RESERVES

a). Option Reserve- The option reserve records payment for unlisted Options issued during the year for unconverted options to external parties.

b). Asset Revaluation Reserve- The Asset Revaluation Reserve records revaluations of non-current assets.

30. 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.

31. FINANCIAL INSTRUMENTS

(a) Financial Risk Management

The Groups financial Instruments consist mainly of deposits with Banks, local money market instruments, short term investments, accounts receivable and payable, loans to and from subsidiaries, bills, leases, preference shares and derivatives.

The main purpose of non-derivative financial instruments is to raise finance for group operations. Derivatives are used by the group for hedging purposes. Such instruments include forward exchange and currency option contracts and interest swap agreements. The group does not speculate in the trading of derivative instruments.

(i) Treasury Risk Management

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

(ii) Financial Risks

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

Interest rate risk

Interest rate risk is managed through floating rate debt. For further details on interest rate risk. Refer to Note 29 (b) (i) & (ii)

Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency. Refer to Note 29 (b) (i) for further details.

Liquidity risk

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

Credit risk

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

Credit risk for derivative financial instruments arises from the potential failure by counterparts to the contract to meet their obligations. The credit risk exposure to forward exchange contracts and interest rate swaps is the net fair value of these contracts as disclosed in Note 1.

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

(b) Financial instruments

(***i) Derivative Financial Instruments***

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

Forward Exchange Contracts

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

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

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

Letters of Credit Established.

	Sell Australian Dollars		Average Exchange Rates	
Buy United States Dollars Settlement	**2007**	2006	**2007**	2006
	$	$	**$**	$
Less than 6 Months	**1,048,794**	977,720	**0.79**	0.75
Buy Australian Dollars Settlement	Sell United States Dollars			
Less than 6 Months	**843,165**	801,565	**0.79**	0.75
	1,891,959	1,779,285		

(ii) Interest Rate Risk

The consolidated group's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities is as follows:

Financial Instruments	**Floating Interest rate**		**Fixed interest rate maturing In 1 yr or less**		**In 1 to 5 years**		**Non-interest bearing**		**Total carrying Amount as per the statement of financial position**		**Weighted av. effective Interest rate**	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	$	$	**$**	$	$	$	$	$	**$**	$	**%**	%
(i) Financial Assets												
Cash & equivalents	**724,942**	951,465	-	-	-	-	**4,754**	4,863	**729,696**	956,328	**5.25**	4.10
Deposit	**-**	-	**105,178**	18,500	**-**	-	**-**	-	**105,178**	18,500	**5.90**	5.85
Receivables	**-**	-	**-**	-	**-**	-	**1,948,877**	1,127,179	**1,948,877**	1,127,179	**-**	-
Prepayments	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Investments	**-**	-	**-**	-	**-**	-	**3,137,537**	1,743,547	**3,137,537**	1,743,547	**-**	-
Total Financial Assets	**724,942**	951,465	**105,178**	18,500	**-**	-	**5,091,168**	2,875,589	**5,921,288**	3,845,554		
(ii)Financial Liabilities												
Sundry creditors & accruals	**-**	**-**	**-**	**-**	**-**	-	**2,317,886**	512,137	**2,317,886**	512,137	**-**	**-**
Leasing liability	**-**	**-**	**51,609**	76,593	**192,102**	233,851	**-**	-	**243,711**	310,444	**8.75**	8.60
Convertible Note	**-**	**-**	**277,000**	-	**-**	-	**-**	-	**277,000**	-	**10.00**	-
Bank loans & Overdraft	**1,460,012**	69,858	**-**	-	**-**	-	**-**	-	**1,460,012**	69,858	**8.60**	8.10
Term Loan	**-**	235,000	**-**	-	**-**	-	**-**	-	**-**	235,000	**-**	8.10
Trade Finance	**1,891,959**	1,779,285	**-**	-	**-**	-	**-**	-	**1,891,959**	1,779,285	**8.60**	7.45
Development Loan	**-**	175,517	**-**	-	**-**	-	**175,517**	-	**175,517**	175,517	**-**	10.00
Total Financial Liabilities	**3,351,971**	2,259,660	**328,609**	76,593	**192,102**	233,851	**2,493,403**	512,137	**6,366,085**	3,082,241		

(iii) Net Fair Values

The net fair values of:

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

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

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

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date are;

	Total carrying amount as per statement of financial position		Aggregate net fair value	
	2007	2006	**2007**	2006
Financial Assets:	**$**	$	**$**	$
Available for sale financial assets at fair value	**3,972,411**	974,828	**3,972,411**	974,828
Financial assets at fair value through profit and loss	**-**	1,743,548	**-**	1,743,548
Loans and receivables	**1,948,877**	1,127,178	**1,948,877**	1,127,178
Total Financial Assets	**5,921,288**	3,845,554	**5,921,288**	3,845,554
Financial Liabilities:				
Other loans and amounts due	**6,089,085**	3,082,241	**6,089,085**	3,082,241
Convertible Note	**277,000**	-	**277,000**	-
Total Financial Liabilities	**6,366,085**	3,082,241	**6,366,085**	3,082,241

32. COMPANY DETAILS

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

Eastland Medical Systems Ltd
54 Lindsay Street
Perth WA 6000
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 of final dividend for the year ended 30 June 2007.

DIVIDEND RE-INVESTMENT PLAN

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

NET TANGIBLE ASSETS PER SECURITY

	30 June 2007	30 June 2006
The net tangible asset backing per security is:	**$0.04 cents**	$0.05 cents