

Appendix 4D

Half Year Ended 31 December 2011

1. Name of entity

EASTLAND MEDICAL SYSTEMS LTD AND CONTROLLED ENTITIES
--

ABN

35 090 987 250

Half year ended ('current period')

31 December 2011

Revenue / Profit		Movement	Change (%)	31 Dec 11 \$'000	31 Dec 10 \$'000
2.1	Revenues from ordinary activities	Up	29%	1,842	1,427
2.2	Loss from ordinary activities after tax attributable to members	Down	32%	1,918	2,840
2.3	Net loss for the period attributable to members	Down	32%	1,918	2,840
2.4	Dividends			Amount per security	Franked amount per security
	Interim dividend			0.0c	N/a
	Dividend previous corresponding period			0.0c	0.0c
2.5	Record date for determining entitlements to the dividend.			N/a	N/a
2.6	Brief explanation of any of the figures reported above (2.1 – 2.4):				

During the period, the Company reviewed its intangible assets and was no longer able to substantiate the carrying value of its Clip-On project and has partially impaired the intangible assets by \$883,080.

The key factors that have resulted in reducing the loss to \$1,917,625 (Dec 2010: \$2,840,352) are:

- increase in Revenue due to improved performance by Eastland's subsidiary company Eastland Medical (WA) Pty Ltd; and
- a reduction in Other Expenses, including legal fees and a legal settlement.

Earnings per Share	31 December 2011	31 December 2010
Basic earnings per share	(\$0.01)	(\$0.01)
Diluted earnings per share	(\$0.01)	(\$0.01)
Number of shares	594,394,120	453,139,015
Net Tangible Assets	\$1,512,254	(\$645,633)
Net tangible assets per share	\$0.00	(\$0.00)

Details of controlled entities acquired or disposed of

On 23 December 2011, Eastland Medical Systems de-registered its subsidiary Portland Surgical Products Pty Ltd.

Compliance statement

1. An interim report for the half year ended 31 December 2011 is provided with the Appendix 4D information.
2. The interim report and the accounts, upon which this report is based, have been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus.
3. This report, and the accounts upon which the report is based, use the same accounting policies.
4. This report gives a true and fair picture of the matters disclosed.
5. This report is based on ⁺accounts to which one of the following applies.
 - The ⁺accounts have been audited.
 - The ⁺accounts have been subject to review.
 - The ⁺accounts are in the process of being audited or subject to review.
 - The ⁺accounts have *not* yet been audited or reviewed.
6. If the audit report or review by the auditor is not attached, details of any qualifications will follow immediately they are available.
7. The entity does have a formally constituted audit committee.



.....
Stephen Carter
Director

Date: 29 February 2012

**EASTLAND MEDICAL SYSTEMS LTD
AND CONTROLLED ENTITIES**

(ABN 35 090 987 250)

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2011**



**Eastland Medical
Systems LTD**

Index

CORPORATE DIRECTORY	1
DIRECTORS' REPORT.....	2
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	4
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6
CONSOLIDATED STATEMENT OF CASH FLOWS.....	7
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS	8
NOTE 1: SUMMARY OF ACCOUNTING POLICIES.....	8
NOTE 2: LOSS FROM ORDINARY ACTIVITIES.....	9
NOTE 3: INTANGIBLE ASSETS.....	9
NOTE 4: DIVIDENDS	10
NOTE 5: ISSUED CAPITAL	10
NOTE 6: RELATED PARTY TRANSACTIONS	10
NOTE 7: SEGMENT INFORMATION.....	11
NOTE 8: CONTINGENT LIABILITIES.....	14
NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE	14
NOTE 10: ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE.....	14
DIRECTORS' DECLARATION	15
INDEPENDENT AUDITOR'S DECLARATION.....	16
INDEPENDENT AUDITOR'S REVIEW REPORT	17

CORPORATE DIRECTORY

Directors	Mr Peter Jooste QC Mr Stephen Carter Mr Michael Stewart	Non-Executive Director & Chairman Executive Director & Chief Executive Officer Non-Executive Director
Company Secretary	Mr Joseph Ohayon	
Registered Office	Eastland Medical Systems Ltd ABN 35 090 987 250 Suite 29, 25 Walters Drive Osborne Park WA 6017 Telephone Facsimile Email Website	PO Box 1719 Osborne Park BC, WA 6916 (08) 6142 5555 (08) 9446 4895 eastland@eastlandmedical.com.au www.eastlandmedical.com.au
Share Registry	Advanced Share Registry Services 150 Stirling Highway Nedlands WA 6009 Telephone Facsimile	PO Box 1156 Nedlands WA 6909 (08) 9389 8033 (08) 9389 7871
Auditors	Grant Thornton Audit Pty Ltd Level 1, 10 Kings Park Road WEST PERTH WA 6005 Telephone Facsimile	(08) 9480 2000 (08) 9322 7787
Bankers	Westpac Banking Corporation Corporate Banking 109 St Georges Terrace PERTH WA 6000	
Home Stock Exchange	Australian Securities Exchange Ltd Exchange Plaza 2 The Esplanade Perth WA 6000 Listing codes: Ordinary Shares Ordinary Options	EMS EMSOA

DIRECTORS' REPORT

Your directors present their report on Eastland Medical Systems Ltd and its controlled entities for the half year ended 31 December 2011.

Directors

The names & details of the Company's directors in office during the half year and at the date of this report are as follows.

Mr Peter Jooste QC	Non-Executive Director & Chairman
Mr Michael Stewart	Non-Executive Director
Mr Stephen Carter	Executive Director & Chief Executive Officer

Review and results of operations.

The revenue for the period was \$1,841,683 (Dec 2010:\$1,427,092) of which \$1,770,804 (Dec 2010: \$1,412,434) related to its subsidiary company Eastland Medical (WA) Pty Ltd trading as Westcoast Surgical and Medical Supplies (Westcoast).

The loss of the consolidated Group amounted to \$1,917,625 (Dec 2010: \$2,840,352). This included an impairment loss of \$883,080 for the Clip-On project which the Board had determined that it could not substantiate the full carrying value and reduced the carrying value accordingly.

Westcoast incurred a loss of \$237,846 (Dec 2010: \$400,874) for the period as it continues to redevelop its operations and reposition itself within the market place.

Some of the highlights during the period included:

i. Issued new options (EMSOA)

On 2 August 2011, Eastland held a General Meeting to approve the issue of 98,145,130 options at an issue price of \$0.005 each and exercisable at \$0.05 each on or before 31 December 2012. Only the optionholders of the options that had expired in May and June 2011 were eligible to participate in the new issue. A Priority Entitlement Issue Prospectus was released 3 August 2011 following the approval received at the General Meeting.

The issue of new options raised \$226,034 and 45,206,864 new options were issued. The shortfall was not placed.

ii. ArTiMist update

The ArTiMist project is managed by ProtoPharma who had gone through some internal changes which has had an impact on the delivery of ArTiMist. Eastland believes that these changes were a positive step forward despite consequent delay.

iii. Portland Surgical Products Pty Ltd (PSP)

PSP was a subsidiary of Eastland and held an investment property that was settled on 19 April 2011. Certain minor details were unresolved at that stage but were finalised on 21 November 2011. Following the successful completion of the sale of the investment property, Eastland deregistered PSP on 23 December 2011.

iv. Medical Industries Australia Pty Ltd (MIA)

Following the sale of the business of MIA in January 2010, the company is in the process of being wound up and it is expected that this company will be deregistered by June 2012.

Directors Report (Continued)

- v. Eastland Medical (WA) Pty Ltd trading as Westcoast Surgical and Medical Supplies (Westcoast)

Overall, the first half of the financial year has been one of major reform. Changes have been made to how the business is operated, including it's systems and procedures. Westcoast has demonstrated steady growth during the period.

Those changes have now placed the company in a strong position to move forward and secure solid sustainable growth. We believe that the second half of the financial year will see a strong focus on sales and completion of various growth projects.

During the period, sales grew from approximately \$285,000 per month to \$345,000 per month, a growth rate of 20% whilst expenses were reduced by approximately 40%. A number of new clients were brought on and key existing clients increased their purchases.

After balance date events

There were no material events after the balance date.

Auditor's Independence Declaration

An independent declaration from our auditors, Grant Thornton Audit Pty Ltd, is included on page 16 of our financial report.

The Directors look forward to the coming year with the expectation that the ArTiMist project will progress further towards the completion of the clinical trials and registration.

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



.....
S.J. Carter
Director

Dated at Perth this 29th February 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half year ended 31 December 2011

	Note	Consolidated 31 Dec 2011 \$	Consolidated 31 Dec 2010 \$
Revenues		1,841,683	1,427,092
Other revenues		1,344	50,782
Impairment losses		(883,080)	(1,017,911)
Raw materials and consumables used		(1,511,521)	(1,237,009)
Employee benefits expense		(727,593)	(737,347)
Depreciation and amortisation expense		(36,076)	(52,264)
Borrowing costs		(32,453)	(103,960)
Other expenses		(569,929)	(1,175,516)
Profit/(loss) on deregistration of business		-	5,781
Loss before income tax	2	(1,917,625)	(2,840,352)
Income tax expense		-	-
Net loss for the period		(1,917,625)	(2,840,352)
Other comprehensive income:			
Movement in foreign currency translation reserve		-	(45,508)
Total comprehensive loss for the period		(1,917,625)	(2,885,860)
Earnings per share			
From continuing and discontinued operations:			
Loss per share (cents per share)		(0.01)	(0.01)
Diluted loss per share (cents per share)		(0.01)	(0.01)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2011

	Note	Consolidated 31 Dec 2011 \$	Consolidated 30 Jun 2011 \$
CURRENT ASSETS			
Cash & cash equivalents		2,241,439	3,560,542
Trade & other receivables		372,680	456,035
Inventories		832,458	641,861
Other assets		121,085	109,356
		<u>3,567,662</u>	<u>4,767,794</u>
Assets of disposal group classified as held for sale	10	1,011,284	1,011,284
TOTAL CURRENT ASSETS		<u>4,578,946</u>	<u>5,779,078</u>
NON-CURRENT ASSETS			
Property, plant and equipment		69,685	100,413
Intangible assets	3	7,006,388	7,646,468
TOTAL NON-CURRENT ASSETS		<u>7,076,073</u>	<u>7,746,881</u>
TOTAL ASSETS		<u>11,655,019</u>	<u>13,525,959</u>
CURRENT LIABILITIES			
Trade & other payables		1,397,866	1,254,063
Borrowings		701,000	1,193,658
Short-term provisions		26,227	46,003
TOTAL CURRENT LIABILITIES		<u>2,125,093</u>	<u>2,493,724</u>
TOTAL LIABILITIES		<u>2,125,093</u>	<u>2,493,724</u>
NET ASSETS		<u>9,529,926</u>	<u>11,032,235</u>
EQUITY			
Issued capital	5	38,856,462	38,620,980
Reserves		1,263,621	1,083,787
Accumulated losses		(30,590,157)	(28,672,532)
TOTAL EQUITY		<u>9,529,926</u>	<u>11,032,235</u>

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2011

	Share Capital \$	Retained Profits \$	Share Redemption Reserve \$	Option Reserve \$	Foreign Currency Translation Reserve \$	Total \$
Balance as at 1 July 2010	31,486,166	(24,249,337)	3,973	1,080,164	24,648	8,345,614
Shares Issued during year	2,966,215	-	-	-	-	2,966,215
Capital raising costs	(113,850)	-	-	-	-	(113,850)
Comprehensive loss for the period	-	(2,840,352)	-	-	-	(2,840,352)
Balance as at 31 December 2010	34,338,531	(27,089,689)	3,973	1,080,164	24,648	8,357,627
Balance as at 1 July 2011	38,620,980	(28,672,532)	3,622	1,080,165	-	11,032,235
Shares Issued during year	267,482	-	-	-	-	267,482
Transaction costs	(32,000)	-	-	179,834	-	147,834
Comprehensive loss for the period	-	(1,917,625)	-	-	-	(1,917,625)
Sub-total	38,856,462	(30,590,157)	3,622	1,259,999	-	9,529,926
Dividends paid or provided for	-	-	-	-	-	-
Balance as at 31 December 2011	38,856,462	(30,590,157)	3,622	1,259,999	-	9,529,926

The accompanying notes form part of these financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half year ended 31 December 2011

	Consolidated 31 Dec 2011 \$	Consolidated 31 Dec 2010 \$
CASH FLOWS FROM OPERATIONS		
Receipts from customers	1,842,421	1,485,948
Payments to suppliers	(2,923,071)	(3,148,524)
Interest received	59,978	14,658
Interest paid	(28,719)	(98,680)
Net cash used by operations	<u>(1,049,391)</u>	<u>(1,746,599)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for development of products	-	(260,511)
Payment for property, plant & equipment	(5,347)	(13,627)
Proceeds from sale of assets	6,991	-
Net cash used in investing activities	<u>1,644</u>	<u>(274,138)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for capital raising costs	-	(71,600)
Repayment of borrowings	(498,840)	(113,468)
Proceeds from share issue	227,484	2,277,000
Net cash provided by / (used in) financing activities	<u>(271,356)</u>	<u>2,091,932</u>
Net increase / (decrease) in cash held	(1,319,103)	71,195
Cash at the beginning of period	3,560,542	834,456
Cash at the end of period	<u>2,241,439</u>	<u>905,651</u>

Reconciliation of Cash and Cash Equivalents

	31 Dec 2011 \$	31 Dec 2010 \$
Cash at bank and in hand	<u>2,241,439</u>	<u>963,307</u>
<i>Cash at the end of the period as shown in the cash flow statement is reconciled to items in the balance sheet as follows:</i>		
Cash and cash equivalents	2,241,439	963,307
Bank overdrafts	-	(57,656)
	<u>2,241,439</u>	<u>905,651</u>

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the half year ended 31 December 2011

NOTE 1: SUMMARY OF ACCOUNTING POLICIES

(a) Basis of Preparation

These general purpose financial statements for the interim half year reporting period ended 31 December 2011 have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB:134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Eastland Medical Systems Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by Eastland Medical Systems Ltd and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies applied by the entities in the consolidated group are consistent with those in the June 2011 financial report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

(b) Key estimates

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group which may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

The following impairment have been recognised during the period:

	Note	Consolidated
Impairment of intangible assets - trademarks and licences	i	<u>883,080</u>

(i) The impairment of \$883,080 has been recognised in respect of trademarks and licences of the Clip-On needle technology. The Board has taken a conservative approach regarding the Clip-On project and, as the estimates of carrying value can not be fully substantiated, it has decided to partially impair the carrying value.

(c) Going Concern

The consolidated entity has reported a net loss for the period of \$1,917,625 and a cash outflow from operating activities of \$1,049,391.

The financial report has been prepared on the going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. This includes the continued development and commercialisation of its current projects.

The Board are continuing to review appropriate avenues to ensure the Company is able to meet all its financial obligations. These avenues include, but are not limited to: obtaining a finance facility for its subsidiary company Eastland Medical (WA) Pty Ltd trading as Westcoast Surgical & Medical Supplies, proceeds from the sale of non core assets such as Clip-On which is included as assets held for sale and consider future capital raising. At the date of this report, none of these proposals have been completed.

The ability of the consolidated entity to continue to pay its debts as and when they fall due and to also continue the development and commercialisation of its current projects is dependent upon the above.

The directors are confident that the consolidated entity will be able to continue its operations as a going concern, however, these conditions indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the half year ended 31 December 2011

(d) Accounting Standards not Previously Applied

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting period.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Company's presentation of, or disclosure in, its half year financial statements.

CONSOLIDATED ENTITY

31 Dec 2011 31 Dec 2010

NOTE 2: LOSS FROM ORDINARY ACTIVITIES

\$ \$

The following expense items are relevant in explaining the financial performance for the interim period:

Expenses

Impairment losses	883,080	1,017,911
Depreciation and amortisation expense	36,076	52,264
Borrowing cost expense	32,453	103,960
Legal expenses	62,918	157,059

NOTE 3: INTANGIBLE ASSETS

31 Dec 2011 30 June 2011

Goodwill

\$ \$

Cost	1,556,042	1,556,042
Accumulated impairment losses	(1,556,042)	(1,556,042)
Net carrying value	-	-

Trademarks and licences

Cost	2,192,663	2,192,663
Accumulated amortisation and impairment	(1,309,580)	(426,500)
Net carrying value	883,083	1,766,163

Development Costs

Cost	6,726,652	6,483,652
Accumulated amortisation and impairment	(603,347)	(603,347)
Net carrying value	6,123,305	5,880,305

Total intangibles

7,006,388 7,646,468

	Trademarks & Licences	Development Costs	Total
Balance at the beginning of year	1,766,163	5,880,305	7,646,468
Additions	-	243,000	243,000
Impairment	(883,080)	0	(883,080)
Closing carrying value at 31 December 2011	883,083	6,123,305	7,006,388

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the half year ended 31 December 2011

NOTE 4: DIVIDENDS

The Board of Directors of Eastland Medical Systems Ltd does not recommend the payment of an interim dividend for the period ended 31 December 2011.

NOTE 5: ISSUED CAPITAL

	31 Dec 2011	30 June 2011
(a) Ordinary Shares	\$	\$
Issued and fully paid	<u>38,856,462</u>	<u>38,620,980</u>
	Number	Number
At beginning of reporting period	594,372,331	374,507,678
Shares issued during the year		219,864,653
5/7/2011 – options exercised	21,789	
	<u>594,394,120</u>	<u>594,372,331</u>
(b) Listed Options		
EMSOA		
Balance at the beginning of the year	-	-
Options issued during the period	53,496,864	-
Balance at the end of the period	<u>53,496,864</u>	<u>-</u>
EMSO		
Balance at the beginning of the year	-	47,586,231
Options expired during the year	-	(47,586,231)
Balance at the end of the period	<u>-</u>	<u>-</u>
EMSOB		
Balance at the beginning of the year	-	50,558,899
Options expired during the year	-	(50,558,899)
Balance at the end of the period	<u>-</u>	<u>-</u>

NOTE 6: RELATED PARTY TRANSACTIONS

Transactions with related parties

	31 Dec 2011	30 June 2011
Key Management Personnel	\$	\$
Mr Peter Jooste – legal retainer	-	30,800
Mr Michael Stewart – consulting retainer	-	24,500
Mr Michael Stewart – interest paid on convertible notes (total convertible notes held \$200,000 (June 2011: \$200,000))	6,000	12,000
Loans to Key Management Personnel		
Beginning of the year	17,692	-
Loans advanced	-	20,000
Loan repayment received	(17,692)	(2,308)
End of the year	<u>-</u>	<u>17,692</u>

NOTE 7: SEGMENT INFORMATION

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings since the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Types of products and services by segment

- (a) Eastland Medical Systems
Eastland Medical Systems is the pharmaceutical development segment and performs research and development to create new human pharmaceutical products by combining proven drugs with innovative patented delivery technologies. ArTiMist™ malaria treatment has commenced phase 3 trials in October 2010. This segment also includes Clip-On technology.
- (b) Westcoast Surgical & Medical Supplies
Eastland Medical (WA) Pty Ltd trading as Westcoast Surgical & Medical Supplies is a sales and logistics operation for medical devices and consumables.

**(i) Segment Performance
6 months ended 31 December 2011**

Primary reporting: Business Segments:	Eastland Medical Systems \$	Westcoast Surgical & Medical Supplies \$	All other segments \$	Total \$
REVENUE				
External sales	-	1,770,804	-	1,770,804
Interest revenue	70,880	-	-	70,880
Total segment revenue	70,880	1,770,804	-	1,841,683
<i>Reconciliation of segment revenue to group revenue</i>				
Total group revenue				<u>1,841,683</u>
Segment net profit/(loss) before tax	(716,898)	(222,583)	-	(939,482)
<i>Reconciliation of segment result to group net profit/loss before tax</i>				
i. Amounts not included in segment result but reviewed by Board				
— Depreciation and amortisation	(26,482)	(9,594)	-	(36,076)
— Impairment of property, plant and equipment	(883,080)	-	-	(883,080)
ii. Unallocated items				
— Finance costs				(32,453)
— Other				(26,534)
Net loss before tax from continuing operations				<u>(1,917,625)</u>

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the half year ended 31 December 2011

6 months ended 31 December 2010

Primary reporting: Business Segments:	Eastland Medical Systems \$	Westcoast Surgical & Medical Supplies \$	All other segments \$	Total \$
REVENUE				
External sales	-	1,412,434	-	1,412,434
Interest revenue	14,658	-	-	14,658
Total segment revenue	14,658	1,412,434	-	1,427,092
<i>Reconciliation of segment revenue to group revenue</i>				
Total group revenue				<u>1,427,092</u>
Segment net loss before tax	(1,343,377)	(447,844)	-	(1,791,221)
<i>Reconciliation of segment result to group net profit/loss before tax</i>				
i. Amounts not included in segment result but reviewed by Board				
— Depreciation and amortisation	(29,736)	(10,591)	-	(40,327)
— Impairment of property, plant and equipment	(1,017,911)	-	-	(1,017,911)
ii. Unallocated items				
— Finance costs				(103,960)
— Other				113,066
Net loss before tax from continuing operations				<u>(2,840,353)</u>

(ii) Segment assets
as at 31 December 2011

Primary reporting: Business Segments:	Eastland Medical Systems \$	Westcoast Surgical & Medical Supplies \$	All other segments \$	Total \$
Segment assets	11,370,443	1,367,786	4,501	12,742,730
<i>Reconciliation of segment assets to group assets</i>				
Intersegment eliminations				(2,098,995)
Unallocated assets:				
— Assets held for sale				1,011,284
Total group assets				<u>11,655,019</u>
Segment asset increases for the period:				
— capital expenditure	247,052	1,295	-	248,347

as at 30 June 2011

Primary reporting: Business Segments:	Eastland Medical Systems \$	Westcoast Surgical & Medical Supplies \$	All other segments \$	Total \$
Segment assets	12,497,469	1,336,429	67,500	13,901,398
<i>Reconciliation of segment assets to group assets</i>				
Intersegment eliminations				(1,386,723)
Unallocated assets:				
— Assets held for sale				1,011,284
Total group assets				<u>13,525,959</u>
Segment asset increases for the period:				
— capital expenditure	711,404	25,744	-	737,148

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the half year ended 31 December 2011

(iii) Segment liabilities

as at 31 December 2011

Primary reporting: Business Segments:	Eastland Medical Systems \$	Westcoast Surgical & Medical Supplies \$	All other segments \$	Total \$
Segment liabilities	1,343,882	2,752,132	128,075	4,224,088
<i>Reconciliation of segment liabilities to group liabilities</i>				
Intersegment eliminations				(2,098,995)
Unallocated liabilities:				
— other liabilities				
Total group liabilities				<u>2,125,093</u>

as at 30 June 2011

Primary reporting: Business Segments:	Eastland Medical Systems \$	Westcoast Surgical & Medical Supplies \$	All other segments \$	Total \$
Segment liabilities	484,160	2,482,929	212,358	3,179,447
<i>Reconciliation of segment liabilities to group liabilities</i>				
Intersegment eliminations				(1,386,723)
Unallocated liabilities:				
— Other financial liabilities				701,000
Total group liabilities				<u>2,493,724</u>

(iv) Revenue by geographical region

Revenue attributable to external customers is disclosed below, based on the location of the external customer:

	6 months ended 31 Dec 11 \$	6 months ended 31 Dec 10 \$
Australia	1,841,683	1,427,092
Total revenue	<u>1,841,683</u>	<u>1,427,092</u>

(v) Assets by geographical region

The location of segment assets by geographical location of the assets is disclosed below:

	Balance as at 31 Dec 11 \$	Balance as at 30 Jun 11 \$
Australia	11,655,019	13,525,959
Total Assets	<u>11,655,019</u>	<u>13,525,959</u>

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the half year ended 31 December 2011

NOTE 8: CONTINGENT LIABILITIES

	31 Dec 2011	30 June 2011
	\$	\$

Employee disputes

An action in the District Court between a former Director and the Company in relation to past employment. The Company is not able to attach a value to the action at the date of the report. The Company will defend the action.

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An action in the Magistrates Court between a former CEO / Director and the Company in relation to their past employment. The Company will defend the action. The maximum expected liability is:

5,000	5,000	
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Related party guarantees 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. The bank facility was fully repaid during the period.

The guarantees are for the terms of the facilities

-	467,658	
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NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE

There were no material events subsequent to the reporting date.

NOTE 10: ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

	31 Dec 2011	30 June 2011
	\$	\$

	1,011,284	1,011,284
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Sale of Intangible assets

The intangible assets classified as held for sale relate to the Clip-On needle project. Eastland management are currently working with a group that has a high level of experience and expertise in this field. It is planned to package up the technologies and to spin them out into another entity for further development and potential marketing.

DIRECTORS' DECLARATION

The directors of Eastland Medical Systems Ltd declare that:

1. the financial statements and notes, as set out on pages 3 to 14 of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31st December 2011 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



.....
Peter Jooste QC
Chairman



.....
S.J. Carter
Director

Dated at Perth this 29th February 2012

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**Auditor's Independence Declaration
To The Directors of Eastland Medical Systems Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Eastland Medical Systems Limited for the half-year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J W Vibert
Partner – Audit & Assurance

Perth, 29 February 2012

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Independent Auditor's Review Report To the Members of Eastland Medical Systems Limited

We have reviewed the accompanying half-year financial report of Eastland Medical Systems Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year 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 a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Eastland Medical Systems Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Basis for qualified auditor's opinion

A limitation in scope of our work exists for the reasons described below:

As disclosed in the consolidated statement of financial position and in notes 3 and 10 to the interim financial report, the consolidated entity has included in assets held for sale, an amount of \$1,011,284, and in non-current assets, intangible assets amounting to \$883,083, relating to trademarks and licences of Clip-On needle technology.

Accounting Standard AASB 5 Non-current Assets Held for Sale and Discontinued Operations requires assets held for sale to be at the lower of carrying value and fair value less cost to sell. We have been unable to obtain sufficient appropriate audit evidence to support the fair value less cost to sell of the assets held for sale is at least equal to their carrying values. In the event that the carrying value of these assets exceeds the fair value less cost to sell, it would be necessary for the carrying value of these held for sale assets to be written down to their recoverable amounts.

The recoverability of the carrying values of the intangible assets referred to in the preceding paragraphs is dependent on the ability of the consolidated entity to achieve certain matters. Australian Accounting Standard AASB 136 Impairment of Assets requires an asset to be carried at no more than its recoverable amount. We have been unable to obtain sufficient appropriate audit evidence to support the directors' assessment of the recoverable amount of the intangible assets and, accordingly, we have been unable to determine whether the recoverable amount of the assets is at least equal to their carrying value. In the event that the carrying value of the assets exceed their recoverable amount, it would be necessary for the carrying value of the assets to be written down to their recoverable amount.

Qualified conclusion

Based on our review, which is not an audit, with the exception of the matter described in the preceding paragraph, we have not become aware of any matter that makes us believe that the half-year financial report of Eastland Medical Systems Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Material uncertainty regarding continuation as a going concern

Without further qualification to the conclusion expressed above, we draw attention to Note 1 (c) to the interim financial report which indicates that the consolidated entity incurred a net loss of \$1,917,625 during the half-year ended 31 December 2011 and, as of that date, the consolidated entity had cash outflows from operations of \$1,049,391. These conditions, along with other matters as set forth in Note 1 (c), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



J W Vibert
Partner - Audit & Assurance

Perth, 29 February 2012