

EASTLAND MEDICAL SYSTEMS LIMITED

ABN: 35 090 987 250
and Controlled Entities

Appendix 4E (Rule 4.3A)

Results for announcement to the market

Name of entity: Eastland Medical Systems Limited ABN 35 909 987 250

The current reporting period is the financial year ended 30 June 2012. The previous corresponding period is the financial year ended 30 June 2011.

Revenue / Profit	Movement	Change \$'000	Change %	30 June 2012 \$'000	30 June 2011 \$'000
Revenues from ordinary activities.	Up	913	30%	4,002	3,089
(Loss) from ordinary activities after tax attributable to members.	Up	172	4%	(4,595)	(4,423)
Net (loss) for the period attributable to members.	Up	172	4%	(4,595)	(4,423)

NTA Backing	30 June 2012 Cents	30 June 2011 Cents
Net tangible asset per security	0.00	0.01

Dividends

No interim dividends were paid and no final dividends are proposed.

Brief explanation of any of the figures reported above

The current year's loss includes an impairment loss of \$2,777,447 relating to the Clip-On project. Whilst the Company will continue to try to sell the Clip-On project, it has decided to take a conservative view and fully write down the intangible asset.

The increase in revenues relates to improvement in performance of its subsidiary company trading as Westcoast Surgical and Medical Supplies.

Audit Status

This preliminary report is based on financial statements that are in the process of being audited.

**EASTLAND MEDICAL SYSTEMS LTD
AND CONTROLLED ENTITIES**

ABN: 35 090 987 250

Preliminary Final Report For The Year Ended

30 June 2012

EASTLAND MEDICAL SYSTEMS LTD ABN 35 090 987 250 AND CONTROLLED ENTITIES
PRELIMINARY FINAL REPORT – APPENDIX 4E

Operating results

The consolidated loss of the consolidated group after providing for income tax amounted to \$4,595,023 (2011: \$4,423,195). This represents a 4% increase on the loss reported for the year ended 30 June 2011. Revenue increased in the current year by \$912,609, (30% on previous year), with corresponding increases in Raw materials and consumables used of \$863,439 (34% on previous year). The costs included a large impairment loss of \$2,777,447 (2011: \$1,517,911) relating to the intellectual property of the Clip-On project.

ArTiMist™

Key developments in the ArTiMist™ project are summarised in the Significant Events and After Balance Sheet Events sections below.

Westcoast Surgical & Medical Supplies (Westcoast)

Westcoast, a fully owned subsidiary of Eastland, continues to improve its performance with a 30% increase in revenues over the previous year and a 26% reduction in operating expenses. The Eastland Board continues its support for the subsidiary company.

Significant events

Eastland Medical Systems made the following announcements during the 2011-12 financial year:

- a) On 23 September 2011, the Company announced that it had raised \$226,034 from the issue of 45,206,864 new options (EMSOA).
- b) On 2 March 2012, the Company announced that it had signed a contract manufacturing agreement with a Canadian company that will be the primary contract manufacturer of ArTiMist™.
- c) On 11 May 2012, the Company provided an update on the ART004 Clinical Trial and confirmed that recruitment of patients had recommenced following the dry season in Burkina Faso and Ghana. In Rwanda, 51 patients had been enrolled and all have completed treatment.

Dividends Paid or Recommended

The Directors have recommended that no dividend be paid by the company in respect of the financial year ended 30 June 2012.

After Balance Date Events

- a) On 10 August 2012 the Company issued 610,000 secured Convertible Notes with an expiry date of 30 June 2014 with attaching options to raise \$610,000 before expenses. A related party has expressed interest in acquiring an additional 150,000 Convertible Notes and attaching options. The issue of these notes to a related party are subject to shareholder approval. The key terms of the new Convertible Note are: interest 8%, conversion price \$0.02 and each \$1.00 Convertible Note attracted 40 Unlisted Options with an exercise price of \$0.05 and an expiry date of 30 June 2014.
The Convertible Notes are secured over the assets of Eastland and its subsidiary company, Eastland Medical (WA) Pty Ltd.
- b) On 30 July 2012, the Company announced that 125 of the total 150 patients had been enrolled into the ART004 Clinical Trial.
- c) On 20 August 2012, the Company announced that the recruitment of patients for the ART004 Clinical Trial was complete and that the patient dosing had also been completed.

The Board thanks our shareholders for their ongoing support and looks forward to a brighter 2012/13 year.

EASTLAND MEDICAL SYSTEMS LTD ABN: 35 090 987 250 AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE
YEAR ENDED 30 JUNE 2012

		Consolidated Group	
	Note	2012	2011
		\$	\$
Revenue	2	4,001,951	3,089,342
Other income	2	201,178	137,702
Raw materials and consumables used	3	(3,402,211)	(2,538,772)
Employee benefits expense		(1,267,244)	(1,431,257)
Depreciation and amortisation expense		(55,824)	(95,508)
Finance costs	3	(61,922)	(145,071)
Impairment	3	(2,777,447)	(1,517,911)
Other expenses		(1,233,504)	(1,927,501)
Profit on deregistration of business		-	5,781
Loss before income tax		(4,595,023)	(4,423,195)
Income tax expense		-	-
Loss for the year	3	<u>(4,595,023)</u>	<u>(4,423,195)</u>
Other comprehensive income:			
Exchange differences on translating foreign controlled entities		-	(24,648)
Other comprehensive income for the year, net of tax		<u>-</u>	<u>(24,648)</u>
Total comprehensive income for the year		<u>(4,595,023)</u>	<u>(4,447,843)</u>
Overall Operations			
Basic earnings per share (cents per share)	4	(0.8)	(0.9)
Diluted earnings per share (cents per share)	4	(0.8)	(0.9)

The accompanying notes form part of these financial statements.

EASTLAND MEDICAL SYSTEMS LTD ABN: 35 090 987 250 AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	Consolidated Group	
		2012	2011
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,590,003	3,560,542
Trade and other receivables		513,303	456,035
Inventories		715,947	641,861
Other assets		77,152	109,356
		<u>2,896,405</u>	<u>4,767,794</u>
Assets of disposal group classified as held for sale		-	1,011,284
TOTAL CURRENT ASSETS		<u>2,896,405</u>	<u>5,779,078</u>
NON-CURRENT ASSETS			
Property, plant and equipment		60,170	100,413
Intangible assets		6,640,001	7,646,468
TOTAL NON-CURRENT ASSETS		<u>6,700,171</u>	<u>7,746,881</u>
TOTAL ASSETS		<u>9,596,576</u>	<u>13,525,959</u>
CURRENT LIABILITIES			
Trade and other payables		2,004,232	1,254,063
Borrowings		701,000	1,193,658
Short-term provisions		37,311	46,003
TOTAL CURRENT LIABILITIES		<u>2,742,543</u>	<u>2,493,724</u>
TOTAL LIABILITIES		<u>2,742,543</u>	<u>2,493,724</u>
NET ASSETS		<u>6,854,033</u>	<u>11,032,235</u>
EQUITY			
Issued capital	6	38,857,967	38,620,980
Reserves		1,263,621	1,083,787
Retained earnings		(33,267,555)	(28,672,532)
TOTAL EQUITY		<u>6,854,033</u>	<u>11,032,235</u>

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 2012

	Ordinary	Retained Earnings	Share Redemption Reserve	Foreign Currency Translation Reserve	Option Reserve	Total
	\$	\$	\$	\$	\$	\$
Consolidated Group						
Balance at 1 July 2010	31,486,166	(24,249,337)	3,973	24,648	1,080,165	8,345,615
Shares issued during the year	7,231,336	-	-	-	-	7,231,336
Transaction costs	(96,522)	-	-	-	-	(96,522)
Loss attributable to members of parent entity	-	(4,423,195)	-	-	-	(4,423,195)
Other comprehensive income for the year	-	-		(24,648)	-	(24,648)
Purchase of unmarketable parcels	-	-	(351)	-	-	(351)
Sub-total	38,620,980	(28,672,532)	3,622	-	1,080,165	11,032,235
Dividends paid or provided for		-				
Balance at 30 June 2011	38,620,980	(28,672,532)	3,622	-	1,080,165	11,032,235
Shares issued during the year	268,987	-	-	-	-	268,987
Transaction costs	(32,000)	-	-	-	-	(32,000)
Issue of share options	-	-	-	-	165,361	165,361
Issue of share options under share-based payment	-	-	-	-	14,473	14,473
Loss attributable to members of parent entity	-	(4,595,023)	-	-	-	(4,595,023)
Balance at 30 June 2012	38,857,967	(33,267,555)	3,622	-	1,259,999	6,854,033

The accompanying notes form part of these financial statements.

EASTLAND MEDICAL SYSTEMS LTD ABN: 35 090 987 250 AND CONTROLLED ENTITIES
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated Group	
	2012	2011
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	4,003,673	3,424,992
Interest received	93,082	58,996
Payments to suppliers and employees	(5,810,930)	(6,539,457)
Finance costs	(53,595)	(133,807)
Net cash provided by / (used in) operating activities	(1,767,770)	(3,189,276)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	-	329,203
Purchase of property, plant and equipment	(15,580)	(37,478)
Purchase of other non-current assets	(18,030)	(509,574)
Net cash provided by / (used in) investing activities	(33,610)	(217,849)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	228,989	6,465,912
Repayment of borrowings	(498,840)	(226,314)
Payments for capital raising costs	-	(88,534)
Proceeds from borrowings	83,000	-
Loan to related parties:		
- payments made	-	(20,000)
- proceeds from repayments	17,692	2,308
Net cash provided by (used in) financing activities	(169,159)	6,133,372
Net increase in cash held	(1,970,539)	2,726,247
Cash at beginning of financial year	3,560,542	834,295
Cash at end of financial year	1,590,003	3,560,542

The accompanying notes form part of these financial statements.

EASTLAND MEDICAL SYSTEMS LTD ABN: 35 090 987 250 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The preliminary final report of the Company for the year ended 30 June 2012 comprises the Company and its controlled entities (the "Consolidated Entity" or "Group").

Note 1

Statement of Significant Accounting Policies

Basis of Preparation

The preliminary final report is presented in Australian dollars and has been prepared on an accrual basis and is based on historical cost basis except for selected current and non-current assets which are measured at fair value at reporting date.

The preliminary final report has been prepared in accordance with Australian Securities Exchange Listing Rules as they relate to Appendix 4E and in accordance with the recognition and measurement requirements of the Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the AASB and the Corporations Act 2001.

As such, the preliminary final report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide a full understanding of the financial performance and financial position as the full financial report. It is recommended that the preliminary final report be considered together with any public announcements made by the Company in accordance with the continuous disclosure obligations of the Australian Securities Exchange Listing Rules.

Note 2

Revenue and Other Income

	Note	Consolidated Group 2012	2011
		\$	\$
Sales Revenue			
— sale of goods		3,908,869	3,003,798
Total Sales Revenue		3,908,869	3,003,798
Other Revenue			
— interest received from other persons		93,082	80,144
— rental revenue for property investment		-	5,400
Total Other Revenue		93,082	85,544
Total Sales Revenue and Other Revenue		4,001,951	3,089,342
Other Income			
— gain on disposal of property, plant and equipment		-	23,456
— gain on debt defeasance		-	85,743
— other income		201,178	28,503
Total Other Income		201,178	137,702

EASTLAND MEDICAL SYSTEMS LTD ABN: 35 090 987 250 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Note 3

Loss for the Year

		Consolidated Group	
		2012	2011
(a)	Expenses	\$	\$
	Cost of sales	3,243,486	2,454,346
	Write-down inventories to net realisable value	23,121	35,509
	Write-off of obsolete stock	135,604	48,917
		<u>3,402,211</u>	<u>2,538,772</u>
(b)	Finance costs		
	Interest expense on financial liabilities not at fair value through profit or loss:		
	— Other persons	<u>61,922</u>	<u>145,071</u>
(c)	Impairment		
	Impairment of goodwill	-	500,000
	Impairment of intellectual property	<u>2,777,447</u>	<u>1,017,911</u>
		<u>2,777,447</u>	<u>1,517,911</u>
(d)	Bad and doubtful debts:		
	— trade receivables	<u>20,743</u>	<u>52,753</u>

Note 4

Earnings per Share

		Consolidated Group	
		2012	2011
(a)	Reconciliation of earnings to profit or loss	\$	\$
	Loss	(4,595,023)	(4,423,195)
	Earnings used to calculate basic EPS	<u>(4,595,023)</u>	<u>(4,423,195)</u>
	Earnings used in the calculation of dilutive EPS	<u>(4,595,023)</u>	<u>(4,423,195)</u>
		No.	No.
(b)	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	<u>594,393,822</u>	<u>471,643,406</u>

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

Note 5

Controlled Entities

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%)	
		2012	2011
Subsidiaries of Eastland Medical Systems Ltd:			
Portland Surgical Products Pty Ltd	Australia	0.00	100.00
Medical Industries Australia Pty Ltd	Australia	100.00	100.00
Eastland Medical (WA) Pty Ltd	Australia	100.00	100.00
Eastland Malaria Research Pty Ltd	Australia	100.00	0.00
Eastland CN Nominees Pty Ltd	Australia	100.00	0.00

Portland Surgical Products Pty Ltd was de-registered 23 February 2012

Eastland Malaria Research Pty Ltd was incorporated on 14 June 2012

Eastland CN Nominees Pty Ltd was incorporated on 28 June 2012

EASTLAND MEDICAL SYSTEMS LTD ABN: 35 090 987 250 AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Note 6

Issued Capital

	Consolidated Group	
	2012	2011
	\$	\$
Gross capital proceeds	40,275,807	40,006,818
Capital raising costs	(1,417,840)	(1,385,838)
594,394,120 (2011: 594,372,331) fully paid ordinary shares	<u>38,857,967</u>	<u>38,620,980</u>

Ordinary Shares

	No.	No.
At the beginning of reporting period	594,372,331	374,507,678
Shares issued 1 July 2010 to 30 June 2011		219,864,653
Shares issued during year:		
5/07/2011 Exercise of options	21,789	
At reporting date	<u>594,394,120</u>	<u>594,372,331</u>

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