



TOWARD A SAFER WAY.

29 August 2008

The Manager - Companies
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

(42 pages by email)

Dear Madam,

PRELIMINARY FINAL REPORT - APPENDIX 4E

I attach the Company's Preliminary Final Report - Appendix 4E for the year ended 30 June 2008.

Yours sincerely

A handwritten signature in black ink, appearing to read 'PJN' followed by a stylized flourish.

Peter J. Nightingale
Company Secretary

pjn4513

Appendix 4E

Preliminary final report

Name of entity

BMDI TUTA LIMITED

ABN or equivalent company
reference

30 096 048 912

Financial year ended ('current period')

30 JUNE 2008

Results for announcement to the market

Revenues from ordinary activities	up	198%	to	\$4,789,338
Loss from ordinary activities after tax attributable to members	down	4%	to	\$1,139,902
Net loss for the period attributable to members	down	4%	to	\$1,139,902
Dividends (distributions)	Amount per security		Franked amount per security	
Final dividend	Nil		Nil	
Interim dividend	Nil		Nil	
Previous corresponding period				
Final dividend	Nil		Nil	
Interim dividend	Nil		Nil	
Record date for determining entitlements to the dividend.	N/A			
Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				
Refer attached Financial Report for the year ended 30 June 2008.				
NTA backing	Current period		Previous corresponding period	
Net tangible asset backing per ordinary security	0.3 cents		0.7 cents	

The attached Financial Report, which forms part of this Appendix 4E, is in the process of being audited.

BMDi TUTA LIMITED

A.B.N. 30 096 048

**ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2008**

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

C o r p o r a t e D i r e c t o r y

DIRECTORS

Mr Thomas J. Mann (Chairman)

Mr Gary L. Lewis (Managing Director)

Dr Mal L Eutick

COMPANY SECRETARY

Mr Peter J. Nightingale

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AUDITORS

KPMG

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71 Eagle Street

BRISBANE QLD 4000

SHARE REGISTRAR

Computershare Investor Services Pty Limited

PO Box 523

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**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

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**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

C h a i r m a n ' s L e t t e r

Dear Fellow Shareholder,

The 2008 year has been a year of many changes for your Company. A significant acquisition has been completed, resulting in a change of name to reflect this acquisition and the activities of the Company have been significantly restructured.

During the year Mr Keith Cadell, the founding Chairman of the Company, passed away. Keith will be sadly missed and I'd like to take this opportunity to pass on the condolences of myself and the staff to his family.

Also, due to business commitments, another founding Director, Mr Peter Roberts resigned from the Board and I would like to thank Peter for his efforts in contributing to the establishment of the Company.

In March 2008, the Company acquired the medical devices business of TUTA Healthcare Pty Limited and with this acquisition we welcomed Dr Mal Eutick to the Board as a non-executive director. This acquisition has provided the Company with a number of key products for both the Australian and international markets and a solid base on which to grow. The contribution of this business acquisition, together with the growth of the Company's own market, is reflected in the significant increase of almost 200% in the Company's revenues for the year ended 30 June 2008. This year's growth compounds a similar growth in the previous year and signals a prospective future for the Company.

I would like to thank the Company's employees, my fellow directors and the support of our shareholders for their continued efforts in ensuring the future success of BMDi TUTA.

Yours faithfully



Tom Mann
Chairman

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

Operating and Financial Review

The past year has seen further and significant progress in the evolution of BMDI TUTA Limited (BMI). I remarked last year that it was time for our Company to start realising its potential, and I am pleased to report considerable improvements in financial and operational performance over the past 12 months.

The consolidated result for financial year 2008 shows revenues of \$4.8 million, which represents an increase of over 200% on prior year. This improved result reflects both the successful integration of the TUTA Healthcare business, acquired in March 2008, and continued good growth within BMDI (up 32%). On a regional basis, sales into Australia increased by nearly 300%, driven predominantly by the TUTA brand, while international sales rose by 102%, the result of increased sales of BMDI-branded products into Europe (up 57%) and increased OEM sales (up 66%), particularly into North America.

Gross profit margin increased by 255% to \$1.54m, a reflection of the more favourable product mix with the inclusion of the TUTA product range, and ongoing efforts to drive productivity across our global supply chain. While the operating loss shows only a minor improvement over last year, this result has not been adjusted for one-off costs associated with the acquisition and subsequent restructure of the TUTA Healthcare business and asset write-downs. In spite of this, I am the first to admit that the magnitude of the loss still does not reflect well on the company, but I can assure shareholders that we are forecasting a maiden profit in the 2009 financial year, and results to date confirm this will be delivered.

Company Overview

BMDI TUTA is a medical technology company engaged in the manufacture, marketing and sale of a broad range of medical devices used by acute and primary healthcare facilities in Australian and global markets. Our core strategy is to provide products that improve clinical and community safety, worldwide, by delivering a range of safety-engineered medical devices designed to reduce the incidence of needle stick injuries and exposure to blood-borne pathogens.

BMDI TUTA focuses on five clinical therapy areas within the broader medical devices market – intravenous (IV) systems; safety (injection, collection, destruction); blood banking; surgical products and anaesthesia products. We aim to leverage these products through BMDI's global supply chain and distribution footprint and TUTA's strong brand and customer base in the domestic Australian market.

Financial Year 2008 Highlights

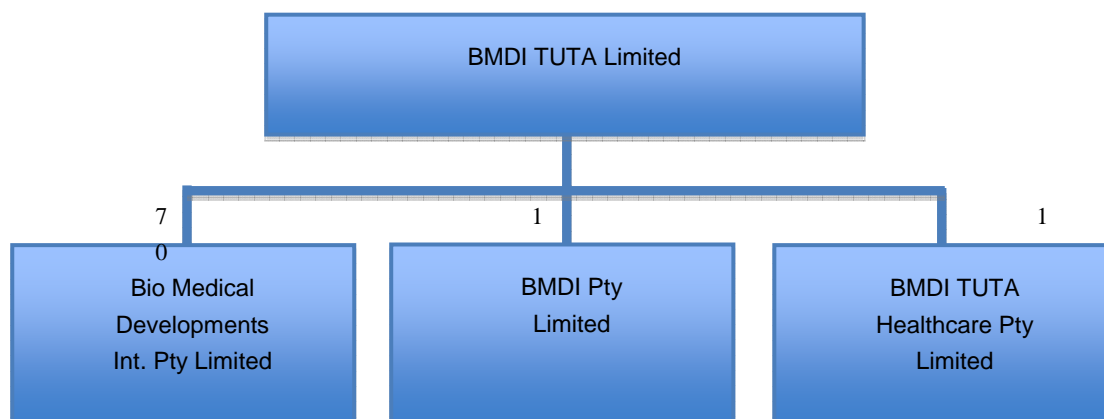
This year will best be remembered as the year BMDI acquired the business of TUTA Healthcare Pty Limited, the Company's first acquisition since listing in December 2004.

TUTA Healthcare Pty Limited (TUTA) has been a manufacturer and distributor of sterile and non-sterile medical plastics to the Australian health care market for over 50 years. The TUTA product range comprises 16 product groups and over 100 listed products, concentrated mainly around intravenous plastic disposable components and sets for the gravity fed infusion market. In 2005, the portfolio was expanded through a license with Swiss-based Arcomed AG Medical Systems to include a range of active computer controlled electronic pumps.

BMDI TUTA LIMITED AND ITS CONTROLLED ENTITIES

Operating and Financial Review

On 03 March 2008, BMDI acquired the business and select assets of TUTA to form BMDI TUTA Healthcare Pty Limited. The purchase price was \$3.3 million payable through the issue of 60 million new BMI shares at 5.5 cents per share. The Company also completed a raising of \$1 million through a placement of 20 million shares at 5 cents per share. The new corporate structure is shown below.



The acquisition leveraged the strengths of both the TUTA and BMDI businesses, which are highly complementary and synergistic in terms of their customer base; manufacturing processes; and sales, marketing and technical capability.

Highlights of the transaction included:

- Improved financial scale and profitability.
- Broadened, lower cost manufacturing capability, with operations in Australia, China, India, and Thailand.
- Two strong brands, linking BMDI's global supply chain and TUTA's established brand of nearly 50 years in a diversified and highly competitive product portfolio.
- Complementary R&D.
- Benefits from improved management of financial, operational and management processes.
- Strengthened management team and skilled personnel.
- Expanded and more experienced board with the addition of Dr Mal Eutick OAM who joined the BMI board on 07 April 2008.

Strategic Review

Following the TUTA acquisition, the BMDI board undertook a strategic audit of the combined business, encompassing a comprehensive review of resourcing, quality systems, core competencies and portfolio. As a consequence of this review, a new strategic direction and senior executive team were put in place to take the Company forward towards its stated vision of building a \$50 million business. The new senior management team comprises six professionals with appropriate qualifications, solid experience and complementary skills. Short biographies and the organisational chart follow below.

Managing Director

Gary Lewis is the Managing Director of BMDI TUTA and its subsidiaries. He has worked in senior management positions in some of Australia's largest companies, including nearly 20 years in the pharmaceutical industry, most recently with Alphapharm. Gary holds a Bachelor of Commerce and Masters of Business & Technology from UNSW.

General Manager, Sales and Marketing

BMDI TUTA LIMITED AND ITS CONTROLLED ENTITIES

Operating and Financial Review

Michael Neville heads up the BMI Sales and Marketing department. He has a controls systems background and a history of achievement in the healthcare industry, with an in-depth knowledge of medical devices. Having held senior management positions in Datex-Ohmeda he was most recently the National Sales Manager for the medical systems division of Becton Dickinson. Michael holds an MBA from AGSM (UNSW) and is a Member of the Australian Institute of Company Directors.

Chief Financial Officer

Mark McEnallay controls the finance and administrative functions within BMI. He has worked for the past 20 years in senior financial management positions in some of Australia's largest companies including Coca-Cola, Reckitt Benckiser and Hitachi Data Systems.

General Manager, Operations

BMI Operations is headed by Michael Jones. Michael is a qualified design engineer who has spent the past twenty years in the production and design of products for high volume manufacturing. He has operated within the medical devices arena since 2003, having worked as the Manufacturing Engineering Manager for ResMed before joining TUTA Healthcare in 2006.

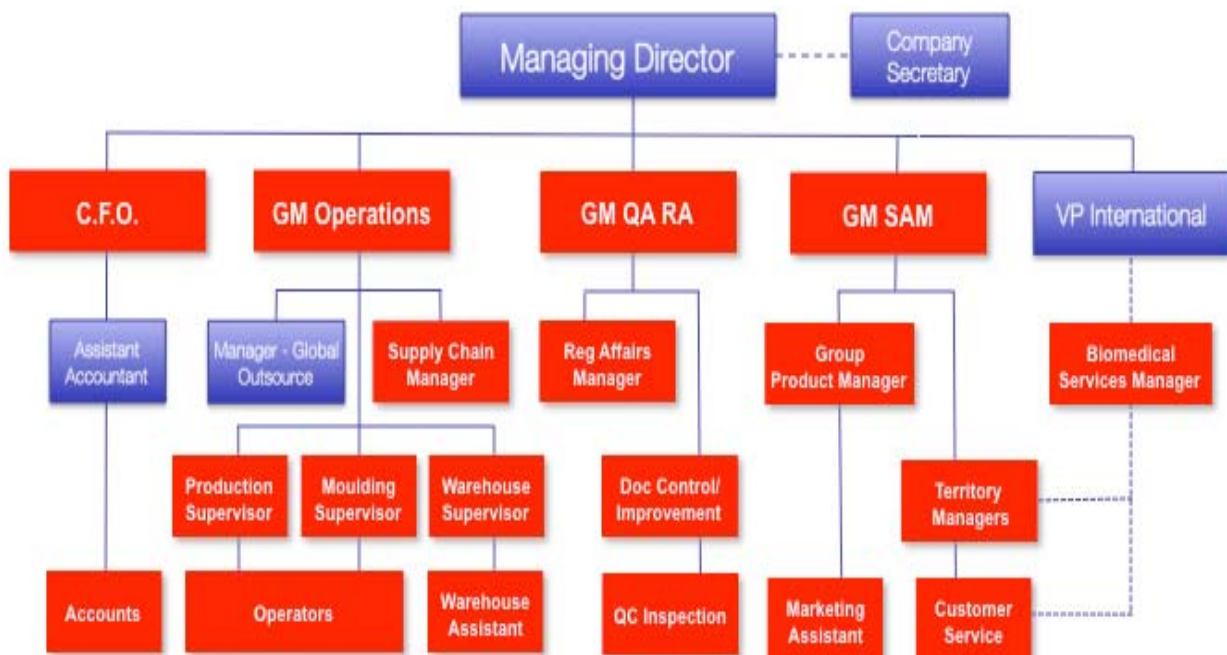
General Manager, Quality Assurance Regulatory Affairs

The Quality Assurance Regulatory Affairs function within BMI is run by David Thomson. David holds an honours degree in science and a post-graduate certificate in drug development, and has extensive experience in QA/QC system implementation and improvement. David joined BMI from ResMed where he worked for 5 years, most recently as Director Regulatory Affairs.

VP International

The BMI International Sales and Operations office in Shanghai is headed up by Robert Krakowiak. Robert has 25 years experience in the global healthcare industry having worked in senior management positions in both private and public sector enterprises. He has worked for BMDI since 2003, was the former head of the Australia India Health Industry Network, and has been a pioneer in the development and marketing of safety medical devices in Australia.

The organisation chart is shown below. Note that the blue boxes represent positions occupied by the original BMDI team, while TUTA employees and new appointments hold the positions shown in red.



**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

Operating and Financial Review

In addition to the acquisition of TUTA, other highlights of the past year include:

1. Frontier Medical (UK)

Following the execution of a Heads of Agreement with Frontier Medical, both companies progressed positively on a number of fronts. Firstly, production of a unique injection device designed by Frontier Medical commenced, with a forecast delivery of 10 million units during the first 12 months. Secondly, BMI invested in tooling for a new range of UN-compliant sharps collectors launched by Frontier in the UK in 2007. Additional new product opportunities have subsequently ensued with sales activity projected to increase in the current financial year.

BMI recently signed a three-party supply agreement and patent license agreement with Frontier to formalise the arrangements detailed above.

2. Inviro Medical (US)

BMI and Inviro Medical signed a three-party manufacturing agreement with Shandong Weigao Group (China) to ensure supply of up to 40 million units per year of the InviroSNAP manual retractable safety syringe. This is in addition to other products BMI continued to produce for Inviro during the year, including a range of standard syringes incorporating the Inviro patented White Stripe feature and a comprehensive range of plastic cannulae (InviroLINK & InviroTIP) and hypodermic needles. Production also commenced on safety syringes packaged in trays for distribution into retail pharmacies in the US.

During the year, the US Food and Drug Administration (FDA) granted registration to a range of 22 manual retractable and disposable safety syringe products developed by BMI on behalf of Inviro. BMI also signed a license agreement with Inviro for the launch of the InviroSNAP manual retractable safety syringe into the Australian and New Zealand markets. Sales are expected to commence in the second quarter of the current financial year.

3. Launch of BMDi DCAP (Developing Countries Aid Projects) Range

Following positive feedback at the WHO-sponsored Safe Injection Global Network (SIGN) meeting, and favourable discussions with key multilateral aid organisations, BMI launched its range of DCAP safety medical devices in Geneva. BMDi DCAP includes a comprehensive range of AD (auto disable) and manual retractable safety syringes, as well as needle destruction units and medical sharps boxes. Additional new products are also in the pipeline to further capitalise on the Company's strength in third world and aid environments, including a range of infection control products.

4. BMDi Nomoresharps Needle Cutter

Following the successful sale and deployment of the BMDi Nomoresharps[®] needle cutter in India, and positive trials in Africa and Vietnam, sales were achieved to Africa, Indonesia, Vietnam and Central Asia. On the back of continued support and endorsement by leading aid delivery agencies including UNICEF and PATH, the device generated significant interest at the world's largest medical congress (Medica), with particularly strong interest from North Africa, the Middle East and Eastern Europe. The BMDi Nomoresharps[®] cutter remains the number one selling product of its type in the world.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

Operating and Financial Review

5. Liquid Crystal Polymer (LCP) Injection Needle

BMI signed a heads of agreement with medical technology company SSB Technology for the ongoing development and commercialisation of the SSB liquid crystal polymer (plastic) injection needle. The technology being developed by SSB has substantive cost and recycling advantages over existing metal hypodermic needles and cannulae, and has the potential therefore, to build a significant global franchise. Under the agreement, BMI will have exclusive distribution rights for the needle within third world and developing countries and will assist SSB in obtaining the necessary regulatory certifications and registrations. BMI will also act as a supply partner to engage manufacturers who have the capability to produce the LCP needle.

While the past year has been full of achievement and positive outcomes, it was also a time of great sadness for Company. On 26 June 2008, we lost our chairman, Keith Cadell to cancer. Keith had a history of achievement in the Australian medical and healthcare industries. As CEO of Health Care of Australia and consultant to a number of private hospital groups in Australia, Keith played a leading hand in the restructure of the industry and launching the careers of a number of industry leaders. On a personal note, Keith was my mentor and my friend, and I have no doubt that I would not be where I am, and this business where it is, without Keith's stewardship.

A Brighter Future

Going forward, I believe there are clear opportunities to grow the BMDI TUTA business further, and improve returns to shareholders. Our solid performance in 2008 provides us with a strong base for the future. We will continue to pursue our strategic course and drive innovation and excellence across the business. We have an executive team of strong leaders who have the necessary skills and capabilities to ensure our future success. We thank you, our shareholders, for your continued support, and we thank our customers, our partners and our dedicated employees for their collective efforts.



Gary L. Lewis
Managing Director

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

D i r e c t o r s ' R e p o r t

Your directors have pleasure in submitting their annual report together with the financial report of BMDI TUTA Limited (the Company) and the consolidated financial report of the Group, being the Company and its controlled entities, for the year ended 30 June 2008, and the auditor's report thereon.

Directors

The names of directors of the Company holding office at any time during or since the financial year are:

Thomas J. Mann (Chairman)	Director since 17 February 2006
Gary L. Lewis (Managing Director)	Director since 24 November 2006
Keith Cadell	Director from 23 July 2004 to 26 June 2008
Dr. Malvin E Eutick	Director since 7 April 2008
Peter E. Roberts	Director from 23 July 2004 to 28 April 2008

Thomas J. Mann, Independent Non-Executive Chairman

Thomas Mann has over 30 years of experience in financial markets and global trade. He began his career in the financial services industry as a stockbroker working in both Sydney and London. He then began a global trading corporation with operations in the USA, Malaysia, Thailand, Indonesia and Australia.

More recently Mr Mann has been involved in capital raising initiatives and strategic development programs for small to mid-sized public and private companies.

He has been a Director since 17 February 2006 and was appointed Chairman on 26 June 2008.

Gary L. Lewis, Managing Director

Gary Lewis holds a Bachelor of Commerce and Masters of Business & Technology (MBT) from the University of NSW. In addition to running his own investment and marketing services businesses, Gary has worked in senior management positions in some of Australia's largest organisations, including 15 years in the pharmaceutical industry. He has also worked with a number of Australian public listed companies over the past 11 years in advisory positions, with an emphasis on corporate strategy and business development. He is currently also a director of Robust Resources Limited.

He has been a Director since 24 November 2006 and was appointed Managing Director 1 March 2007.

Keith Cadell, Independent Non-Executive Chairman

Keith Cadell had over 19 years of experience in the medical and healthcare industry. Mr Cadell was formerly the Chief Executive Officer of Health Care of Australia (formerly Mayne Nickless hospital division) with a turnover of \$900 million and 12,000 staff. Mr Cadell was previously Director, Group Operations of Health Care of Australia prior to taking on the role of CEO and was responsible for the group financial planning, acquisitions, privatisation and co-locations and group purchasing. He was also involved in offshore feasibilities in India, Papua New Guinea, Philippines and Indonesia. More recently, Mr Cadell had been consulting to a number of private hospital groups in Australia and advising them on acquisition strategies as well as ongoing management.

He was a Director and Chairman since 23 July 2004 to 26 June 2008.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

D i r e c t o r s ' R e p o r t

Dr. Mal Eutick, OAM, Independent Non-Executive Director

Dr Eutick brings more than 25 years' medical and pharmaceutical experience to BMDi TUTA. He is non-executive Chairman of Progen Pharmaceuticals Limited and has served as an independent non-executive director of that company since 1999. He is President and CEO of Phebra Pty Limited (formerly Pharmalab), which he co-founded in 1993, and is the former CEO of TUTA Healthcare, which has been acquired by BMDi TUTA. Dr Eutick was awarded the Medal of the Order of Australia in 1995 for services to the biotechnology industry and is a leading figure in the industry.

For eight years, he was vice president of the Australian Museum with responsibility for its financial affairs and the growth of its scientific consulting business.

He has been a Director since 7 April 2008.

Peter E. Roberts, Independent Non-Executive Director

Peter Roberts has extensive experience in business and accounting for over 30 years. Mr Roberts was with Coopers and Lybrand Australia for over 20 years, where he held many senior positions including Managing Partner Darwin Office, Partner in Charge, Sydney Office Business Services Division and Partner in Charge, Sydney Office Public Sector and Healthcare Consulting Groups. He has worked with many large organisations including Qantas, Australian Consolidated Press, Consolidated Press Holdings, Northern Territory Department of Treasury, Territory Insurance Office and NSW State Rail Authority. Mr Roberts is currently Managing Director, Jennmar Australia, a global leader in manufacturing of ground support products for the mining industry. He has a Bachelor of Economics from the University of Sydney and is a Fellow of Institute of Chartered Accountants in Australia

He was a Director from 23 July 2004 to 28 April 2008.

Peter J. Nightingale, Company Secretary

Peter Nightingale was appointed to the position of Company Secretary on 3 May 2004.

Peter Nightingale graduated with a Bachelor of Economics degree from the University of Sydney and is a member of the Institute of Chartered Accountants in Australia. He has worked as a chartered accountant in both Australia and the USA.

As a director or company secretary Mr Nightingale has, for the past 21 years, been responsible for the financial control, administration, secretarial and in-house legal functions of a number of private and public listed companies in Australia, the USA and Europe including Bolnisi Gold NL, Palmarejo Silver and Gold Corporation, Pangea Resources Limited, Timberline Minerals Inc., Perseverance Corporation Limited, Valdora Minerals N.L. and ETT Limited. He is currently a director of Cockatoo Coal Limited and Planet Gas Limited.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

D i r e c t o r s ' R e p o r t

Directors' Interests

Directors' beneficial shareholdings at the date of this report are:

Specified directors	Held at 1 July 2007	Purchases	Sales	Held at 30 June 2008
Thomas J. Mann	1,500,000	-	-	1,500,000
Gary L. Lewis	6,055,800	2,246,500	-	8,302,300
Keith Cadell	642,800	-	-	642,800 [#]
Dr Mal L Eutick	12,988,889 [*]	-	-	12,988,889
Peter E. Roberts	1,671,400	-	-	1,671,400 [#]

^{*} Number of shares held at date of appointment as a director.

[#] Number of shares held at date of ceasing as director.

Directors' Meetings

The number of directors' meetings held, including meetings held by telephone and by circulation of resolutions, and the number of those meetings attended by each of the directors of the Company, while a director, during the financial year are as follows:

	No. of Meetings Held Whilst Director	No. of Meetings Attended
Thomas J. Mann	10	10
Gary L. Lewis	10	10
Keith Cadell	9	9
Dr Mal Eutick	3	3
Peter E Roberts	8	8

Principal Activities

The principal activities of the Group in the course of the financial year are the development, manufacture and distribution of, a range of medical devices.

Financial Results

The consolidated loss after income tax attributable to members of the Company for the year was \$1,139,902 (2007 - \$1,183,669).

Dividends

No dividends have been paid or declared during the financial year.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

D i r e c t o r s ' R e p o r t

State of Affairs

In the opinion of the directors, significant changes in the state of affairs of the Group that occurred during the year ended 30 June 2008 were as follows:

- Acquisition and successful integration of the business of TUTA Healthcare Pty Limited.
- Initiated a strategic review of the BMDI TUTA business resulting in the appointment of a new senior management team.
- Signed a three-party supply agreement and patent license agreement with Frontier Medical (UK) to formalise new product development and manufacturing arrangements between the two companies.
- US Food and Drug Administration (FDA) granted registration to a range of 22 manual retractable and disposable safety syringe products developed by BMI on behalf of Inviro Medical (US).
- Signed a license agreement with Inviro Medical (US) for the launch of the InviroSNAP manual retractable safety syringe into the Australian and New Zealand markets.
- Signed a three-party supply agreement with Inviro Medical (US) for the supply of up to 40 million units per year of the InviroSNAP manual retractable safety syringe.

Review of Operations

The operating and financial review of the Group during the year is detailed on pages 2 to 6 of this Annual Report.

Non-audit Services

During the year ended 30 June 2008 KPMG, the Company's auditor has not performed other services in addition to their statutory audit duties.

	2008	2007
	\$	\$
Statutory audit		
Auditors of the Company		
- audit and review of financial reports	<u>43,040</u>	<u>18,686</u>

Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Likely Developments

Further information as to likely developments in the operations of the Group and the expected results of those operations in subsequent years has not been included in this report because disclosure of this information would be likely to result in unreasonable prejudice to the Group.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

D i r e c t o r s ' R e p o r t

Remuneration Report

The policy of remuneration of directors and senior executives is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board is responsible for reviewing its own performance. The non-executive directors are responsible for evaluating the performance of the executive directors who, in turn, evaluate the performance of all other senior executives. The evaluation process is intended to assess the Company's business performance, whether long term strategic objectives are being achieved and the achievement of individual performance objectives

Remuneration comprises salary and superannuation. The remuneration disclosed below represent the cost to the Company for the services provided under these arrangements.

No directors or executives receive performance related remuneration.

Details of the nature and amount of each major element of the emoluments of each director of the Company and each of the named executive officers of the Company and Group are:

Directors	Year	Primary salary and fees \$	Post-employment Superannuation benefits \$	Total \$
<i>Executive</i>				
Keith Cadell (Chairman)	2008	-	-	-
	2007	3,333	300	3,633
Gary L. Lewis (Managing Director)	2008	141,000	-	141,000
	2007	26,150	-	26,150
Dr Mal Eutick	2008	-	-	-
	2007	-	-	-
Thomas J. Mann	2008	-	-	-
	2007	-	-	-
Peter E. Roberts	2008	-	-	-
	2007	2,083	187	2,270
Total, all directors	2008	141,000	-	141,000
	2007	31,566	487	32,053

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

D i r e c t o r s ' R e p o r t

Executives	Year	Primary salary and fees \$	Post-employment Superannuation benefits \$	Total \$
<i>Executive</i>				
Robert Krakowiak (Chief Operating Officer)	2008	203,700	16,065	219,765
	2007	200,000	18,000	218,000
Peter J. Nightingale (Company Secretary)	2008	60,000	-	60,000
	2007	60,000	-	60,000
Total, all executives	2008	<u>263,700</u>	<u>16,065</u>	<u>279,765</u>
	2007	<u>260,000</u>	<u>18,000</u>	<u>278,000</u>
Total, all key management personnel	2008	<u>404,700</u>	<u>16,065</u>	<u>420,765</u>
	2007	<u>291,566</u>	<u>18,487</u>	<u>310,053</u>

No options or bonuses were granted to directors or executive officers as part of their remuneration.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**I n c o m e S t a t e m e n t s
F o r t h e y e a r E n d e d 3 0 J u n e 2 0 0 8**

	Notes	Consolidated		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
Revenue from sale of goods	2	4,658,489	1,364,286	-	-
Cost of goods sold		(3,247,619)	(931,030)	-	-
Gross profit		1,410,870	433,256	-	-
Government grants		128,710	229,792	128,710	229,792
Expenses:					
- administration and consultants expenses	2	(378,646)	(536,545)	(263,143)	(190,562)
- depreciation		(81,870)	(68,060)	-	-
- research expenses	2	(79,588)	(124,974)	-	-
- impairment loss – investments in controlled entities and property, plant and equipment	2	-	-	(1,034,924)	(871,151)
- employee expenses	2	(972,066)	(428,715)	(149,231)	(249,378)
- travel and accommodation	2	(184,691)	(197,309)	(10,170)	(4,918)
- occupancy costs		(55,618)	(82,151)	(9,134)	(5,900)
- other	2	(929,142)	(424,445)	(210,779)	(65,712)
Results from operating activities		(1,142,041)	(1,199,151)	(1,548,671)	(1,157,829)
Financial income	2	2,139	15,482	536	10,427
Net financing income		2,139	15,482	536	10,427
Loss before related income tax expense		(1,139,902)	(1,183,669)	(1,548,135)	(1,147,402)
Income tax expense	3	-	-	-	-
Loss for the period		(1,139,902)	(1,183,669)	(1,548,135)	(1,147,402)
Basic loss per share attributable to ordinary shareholders	4	0.95 cents	1.35 cents		
Diluted loss per share attributable to ordinary shareholders	4	0.93 cents	1.35 cents		

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Statements of Recognised Income and Expense
For the Year Ended 30 June 2008**

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Net income recognised directly in equity	-	-	-	-
Loss for the period	(1,139,902)	(1,183,669)	(1,548,143)	(1,147,402)
Total recognised income and expense for the period	(1,139,902)	(1,183,669)	(1,548,143)	(1,147,402)

Other movements in equity arising from transactions with owners as owners are set out in note 13.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**B a l a n c e S h e e t s
A s a t 3 0 J u n e 2 0 0 8**

		Consolidated		Company	
		2008	2007	2008	2007
	Notes	\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	5	292,743	391,682	65,705	264,734
Trade and other receivables	6	2,081,756	409,356	-	35,853
Inventories	7	1,258,535	23,260	-	-
Other	8	15,668	12,990	-	6,490
TOTAL CURRENT ASSETS		3,648,702	837,288	65,705	307,077
NON-CURRENT ASSETS					
Plant and equipment	9	287,040	178,721	-	-
Investments	10	-	-	-	119,739
Goodwill		3,395,238	-	3,395,238	-
Other		323,751	12,237	-	-
TOTAL NON-CURRENT ASSETS		4,006,029	190,958	3,395,238	119,739
TOTAL ASSETS		7,654,731	1,028,246	3,460,943	426,816
CURRENT LIABILITIES					
Trade and other payables	11	3,346,111	408,877	64,344	59,626
Customer deposits		88,121	-	-	-
Employee benefits	12	201,269	53,319	30,432	39,083
TOTAL CURRENT LIABILITIES		3,635,502	462,196	94,776	98,709
NON-CURRENT LIABILITIES					
Employee benefits	12	6,877	-	-	-
TOTAL NON-CURRENT LIABILITIES		6,877	-	-	-
TOTAL LIABILITIES		3,642,379	462,196	94,776	98,709
NET ASSETS		4,012,351	566,050	3,366,167	328,107
EQUITY					
Issued capital	13	12,669,508	8,169,508	12,669,508	8,169,508
Option premium reserve		86,203	-	86,203	-
Retained losses	15	(8,743,360)	(7,603,458)	(9,389,544)	(7,841,401)
TOTAL EQUITY		4,012,351	566,050	3,366,167	328,107

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**S t a t e m e n t s o f C a s h F l o w s
F o r t h e Y e a r E n d e d 3 0 J u n e 2 0 0 8**

	Notes	Consolidated		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		3,249,190	1,233,081	-	-
Cash receipts from government grants		128,710	229,792	128,710	229,792
Cash paid to suppliers and employees		(4,182,492)	(2,432,919)	(406,031)	(481,358)
Cash generated from operations		(804,592)	(970,046)	(277,321)	(251,566)
Interest received		2,139	15,481	536	10,427
Net cash used in operating activities	17	(802,453)	(954,565)	(276,785)	(241,139)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investments in controlled entities		-	-	(1,031,077)	(589,492)
Loans to other entities		-	-	-	-
Payments for plant and equipment		(119,975)	(100,607)	-	-
Payments for other assets		(360,154)	(5,572)	(88,748)	(6,490)
Net cash used in investing activities		(480,129)	(106,179)	(1,119,825)	(595,982)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		1,200,000	632,500	1,200,000	632,500
Net cash provided by financing activities		1,200,000	632,500	1,200,000	632,500
Net decrease in cash held		(82,582)	(428,244)	(196,610)	(204,621)
Cash and cash equivalents at 1 July		391,682	823,280	264,734	469,355
Effect of exchange rate adjustments on cash held		(16,358)	(3,354)	(2,419)	-
Cash and cash equivalents at the end of the financial year		292,743	391,682	65,705	264,734

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements for
the Year Ended 30 June 2008**

1. REPORTING ENTITY

BMDI TUTA Limited (the 'Company') is a company domiciled in Australia. The consolidated financial report of the Company for the year ended 30 June 2008 comprises the Company and its subsidiaries (together referred to as the 'Group').

The financial report was authorised for issue by the directors on 29 August 2008.

Going concern

The financial report has been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

The Company and the Group have incurred significant trading losses in the year ended 30 June 2008 and in prior periods. The ongoing operation of the Company and the Group is dependent upon:

- The Company and Group achieving cash flow positive trading operations; and/or
- The Company raising additional funding from shareholders and/or external parties.

The directors have prepared cash flow projections that support the ability of the Company and the Group to continue as a going concern. These cashflow projections assume significant increases in revenues compared to historical levels achieved.

In the event that the Company and the Group do not obtain additional funding and/or achieve cash flow positive trading operations, they will be unable to continue their operations as a going concern and therefore the Company and the Group may not be able to realise their assets and extinguish their liabilities in the ordinary course of operations and at the amounts stated in the financial statements.

Basis of preparation

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial report of the Group also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

The financial report was authorised for issue by the directors on 29 August 2008.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's and Group's functional currency.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements for
the Year Ended 30 June 2008**

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in notes 5 and 6.

Significant Accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by entities in the Group.

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

New standards and interpretations not yet adopted

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 2008, but have not been applied in preparing this financial report:

- Revised AASB 3 Business Combinations changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the Company's 30 June 2010 financial statements. The Company has not yet determined the potential effect of the revised standard on the Company's financial report.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements for
the Year Ended 30 June 2008**

- AASB 8 Operating Segments introduces the “management approach” to segment reporting. AASB 8, which becomes mandatory for the Company’s 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Company’s Chief Operating Decision Maker in order to assess each segment’s performance and to allocate resources to them. Currently the Company presents segment information in respect of its geographical segments.
- Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly “primary” statement) the “statement of comprehensive income”. The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Company’s 30 June 2010 financial statements. The Company has not yet determined the potential effect of the revised standard on the Company’s disclosures.
- Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Company’s 30 June 2010 financial statements and will constitute a change in accounting policy for the Company. In accordance with the transitional provisions the Company will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Company has not yet determined the potential effect of the revised standard on future earnings.
- Revised AASB 127 Consolidated and Separate Financial Statements changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the Company’s 30 June 2010 financial statements. The Company has not yet determined the potential effect of the revised standard on the Company’s financial report.
- AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payment: Vesting Conditions and Cancellations changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Company’s 30 June 2010 financial statements. The Company has not yet determined the potential effect of the amending standard on the Company’s financial report.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements for
the Year Ended 30 June 2008**

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity with adjustments made to the 'Investment in associates' and 'Share of associates' net profit' accounts.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised as the contributed assets are consumed or sold by the associates and jointly controlled entities or, if not consumed or sold by the associate or jointly controlled entity, when the Group's interest in such entities is disposed of.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

Intercompany loans

Loans made to controlled entities which are interest free, unsecured, of no fixed term, and repayable only out of potential future profits are classified as investments.

Impairment

The carrying amounts of the Group's assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements for
the Year Ended 30 June 2008**

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Trade and other payables

Trade and other payables are stated at their amortised cost, are non-interest bearing and are normally settled within 60 days.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Taxation

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future are temporary differences are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements for
the Year Ended 30 June 2008**

Tax consolidation

The Company and its wholly owned Australian resident entities have formed a tax consolidated group with effect from 1 July 2004 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is BMDI TUTA Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

The Company recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Revenue recognition

Financial income

Financial income comprises interest revenue is recognised on an accrual basis, using the effective interest method.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements for
the Year Ended 30 June 2008**

Employee benefits

Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the net profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements for
the Year Ended 30 June 2008**

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$

NOTE 2 – LOSS FROM OPERATING ACTIVITIES

Loss from ordinary activities includes the following items of revenue and expense:

Revenue

Sales of goods	4,658,489	1,364,286	-	-
Interest revenue	2,139	15,482	536	10,427
Government grants	128,710	229,792	128,710	229,792
	<u>4,789,338</u>	<u>1,609,560</u>	<u>129,946</u>	<u>240,219</u>

Expenses

Administration and consultants expenses:

- general and administrative	99,917	263,752	68,581	88,846
- consultancy fees	282,729	272,793	194,562	101,716
	<u>378,646</u>	<u>536,545</u>	<u>263,143</u>	<u>190,562</u>

Research expenses	79,588	124,974	-	-
Impairment loss on intercompany loans	-	-	1,163,642	871,150
Impairment loss on property, plant and equipment	100,791	-	-	-
Employee expenses	977,906	428,715	235,434	249,378
Auditors' remuneration (KPMG)				
- Audit of financial reports	43,040	33,686	43,040	33,686
Foreign exchange loss on cash	16,358	3,354	2,419	-
Travel and accommodation	184,691	197,309	10,170	4,918

At 30 June 2008, the Group had 33 employees (2007 - 3).

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements for
the Year Ended 30 June 2008**

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
3. INCOME TAX EXPENSE				
Numerical reconciliation between tax expense and pre-tax net profit				
Loss before tax – continuing operations	(1,139,902)	(1,183,669)	(1,548,135)	(1,147,402)
Income tax using the domestic corporation tax rate of 30%	(341,971)	(355,101)	(464,441)	(344,221)
Increase/ (decrease) in income tax expense due to:				
- Non-deductible expenses	840	35	840	35
- Effect of tax losses not recognised	341,131	355,066	463,601	344,186
Income tax expense on pre-tax net loss	-	-	-	-
Unrecognised deferred tax assets				
Deferred tax assets have not been recognised in respect of the following items:				
Capital losses	15,000	-	15,000	-
Taxable temporary differences	110,733	108,362	597,918	593,625
Tax losses	1,747,924	2,020,668	2,287,987	1,612,451
Net	1,873,657	2,129,030	2,885,905	2,206,076

The taxable permanent differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements for
the Year Ended 30 June 2008**

NOTE 4 - LOSS PER SHARE

The calculation of basic loss per share at 30 June 2008 was based on the loss attributable to ordinary shareholders of \$1,139,902 (2007 -\$1,183,669) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2008 of 119,923,168 (2007- 87,901,250), calculated as follows:

	Consolidated	
	2008	2007
	\$	\$
Net loss for the year	1,139,902	1,183,669
	Number	Number
Weighted average number of ordinary shares		
Issued ordinary shares at beginning of year	97,764,264	85,764,264
Effect of shares issued on 27 April 2007	-	2,136,986
Effect of shares issued on 11 December 2007	2,213,699	-
Effect of shares issued on 31 March 2008	19,945,205	-
Weighted average issued ordinary shares at year end	119,923,168	87,901,250

As at 30 June 2007 there are no 'potential' ordinary shares on issue, therefore diluted earnings per share is the same as basic earnings per share.

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
NOTE 5 – CASH AND CASH EQUIVALENTS				
Cash at bank and on hand	280,991	379,930	53,953	252,982
Term deposit	11,752	11,752	11,752	11,752
	292,743	391,682	65,705	264,734

NOTE 6 - RECEIVABLES

Current

Trade debtors	1,899,709	398,598	-	27,500
GST receivable	171,289	10,758	-	8,353
	2,081,756	409,356	-	35,853

NOTE 7 - INVENTORIES

Raw materials	113,634	-	-	-
Finished goods	1,144,901	23,260	-	-
	1,258,535	23,260	-	-

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the Financial Statements for
the Year Ended 30 June 2008

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
NOTE 8 - OTHER ASSETS				
Current				
Capitalised acquisition cost	321,862	-	-	-
Prepayments	1,889	12,990	-	6,490
	323,751	12,990	-	6,490

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

Plant and equipment

Carrying amount at beginning of year	116,206	85,720	-	-
Additions	55,957	77,236	-	-
Impairment loss	(8,901)	-	-	-
Depreciation	(32,889)	(46,750)	-	-
Carrying amount at year end	130,373	116,206	-	-

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT (Con't)

Furniture and fittings

Carrying amount at beginning of year	13,546	23,015	-	-
Additions	19,229	8,458	-	-
Impairment loss	(25,146)	-	-	-
Depreciation	(6,129)	(17,927)	-	-
Carrying amount at year end	1,500	13,546	-	-

Office equipment

Carrying amount at beginning of year	48,408	36,709	-	-
Additions	146,929	14,841	-	-
Impairment loss	(75,224)	-	-	-
Depreciation	(41,397)	(3,142)	-	-
Carrying amount at year end	78,715	48,408	-	-

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements for
the Year Ended 30 June 2008**

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Warehouse equipment				
Carrying amount at beginning of year	561	800	-	-
Additions	1,908	-	-	-
Impairment loss	(421)	-	-	-
Depreciation	(264)	(239)	-	-
Carrying amount at year end	1,784	561	-	-
Software				
Carrying amount at beginning of year	-	-	-	-
Additions	83,432	-	-	-
Depreciation	(8,765)	-	-	-
Carrying amount at year end	74,667	-	-	-

During the year ended 30 June 2008 the directors performed an impairment test on the carrying value of property, plant and equipment which had a written down value at 30 June 2008 of \$387,831. The recoverable amount of property, plant and equipment was estimated based on its value in use using a pre-tax discount rate of 15%. The recoverable amount was estimated to be \$100,791 lower than the carrying amount of property, plant and equipment and an impairment against property, plant and equipment for that amount was applied.

During the year ended 30 June 2007 the directors performed an impairment test on the carrying value of property, plant and equipment which had a written down value at 30 June 2007 of \$178,721. The recoverable amount of property, plant and equipment was estimated based on its value in use using a pre-tax discount rate of 15%. The recoverable amount was estimated to be higher than the carrying amount of property, plant and equipment and no impairment was required.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements for
the Year Ended 30 June 2008**

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
NOTE 10 – INVESTMENTS				
Non-current				
Investments in controlled entities – at cost	-	-	6,484,835	5,467,740
Less cumulative impairment losses	-	-	(6,484,835)	(5,348,001)
Investment in controlled entities, at recoverable amount	-	-	-	119,739

Due to the inherent uncertainty over the ultimate recovery of these investments, the Company has tested all investments in controlled entities and recorded impairment losses to the extent that these investments exceeded the estimated recoverable amount, which was based on the expected cashflows to be generated from these investments. The estimated recoverable amount consists of cash and cash equivalents and the extent net receivables exceed net payables, the proceeds of which it is expected will be returned to the Company.

NOTE 11 - PAYABLES

Current				
Trade creditors	3,144,070	376,294	24,344	31,560
Payroll liabilities	162,041	11,231	-	13,066
Accruals	40,000	21,352	40,000	15,000
	3,346,111	408,877	64,344	59,626

NOTE 12 – EMPLOYEE ENTITLEMENTS

Current				
Provision for employee annual leave and long service leave entitlements	201,269	53,319	30,432	39,083
Non-current				
Provision for employee long service leave entitlements	6,877	-	6,877	-

NOTE 13 – ISSUED CAPITAL

Issued and paid up capital				
181,764,366 (2007 – 97,764,264) ordinary shares, fully paid	12,669,508	8,168,508	12,669,508	8,169,508
10,000,000 terminating preference shares, fully paid	-	1,000	-	1,000
	12,669,508	8,169,508	12,669,508	8,169,508

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements for
the Year Ended 30 June 2008**

	2008	2008	2007	2007
	No.	\$	No.	\$
Fully paid ordinary shares				
Balance at beginning of year	97,764,264	8,169,508	85,764,264	6,893,098
Issue of shares	84,000,102	4,500,000	12,000,000	660,000
	<u>181,764,366</u>	<u>12,699,508</u>	<u>97,764,264</u>	<u>8,169,508</u>

During the year:

- The Company issued 4,000,000 fully paid ordinary shares on 11 December 2007 for cash totalling \$200,000.
- 10,000,000 terminating preference shares converted to one hundred and two fully paid ordinary shares as associated performance hurdles were not met.
- The Company issued 20,000,000 fully paid ordinary shares on 31 March 2008 for cash totalling \$1,000,000.
- The Company issued 60,000,000 fully paid ordinary shares on 31 March 2008 as consideration for the acquisition of medical devices business of TUTA Healthcare Pty Ltd.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the shareholders meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
NOTE 14 – RESERVES				
Non-current				
Opening balance	-	-	-	-
Issue of options	86,024	-	86,024	-
Closing balance	<u>86,024</u>	<u>-</u>	<u>86,024</u>	<u>-</u>

The issue of Company options results in a credit to the option reserve to the fair value of consideration received by the Company for issued options.

- 1,500,000 options were issued, each exercisable at 6 cents each to acquire one fully paid ordinary share at any time up to 31 August 2008.
- 1,500,000 options were issued, each exercisable at 10 cents each to acquire one fully paid ordinary share at any time up to 31 August 2009.

These options were issued to the Managing Director, Gary Lewis following a special resolution at the Annual General Meeting.

The fair value of the options at grant date was determined based on the Black-Scholes formula. The model inputs were the Company's share price of \$0.06 at the grant date, a volatility factor of 123% based on historic share price performance and a risk free interest rate of 6.33% based on the 10 year government bond rate.

**BMDI TUTA LIMITED
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**Notes to the Financial Statements for
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	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
NOTE 15 - RETAINED LOSSES				
Accumulated losses at beginning of year	(7,603,458)	(6,419,789)	(7,841,401)	(6,693,999)
Net loss attributable to members of the parent entity	(1,139,902)	(1,183,669)	(1,548,143)	(1,147,402)
Accumulated losses at year end	(8,743,360)	(7,603,458)	(9,389,544)	(7,841,401)

NOTE 16 - PARTICULARS IN RELATION TO CONTROLLED ENTITIES

Parent Entity

BMDI TUTA Limited is an Australian incorporated company listed on the Australian Stock Exchange.

Controlled Entities	Country of Incorporation	Ownership Interest	
		2008	2007
		%	%
BMDI Pty Ltd	Australia	100	100
BMDI TUTA Healthcare Pty Ltd	Australia	100	-
Bio Medical Developments International Pty Ltd	Australia	70	70
IMD Consulting Pty Ltd	Australia	-	100
International Water Systems Pty Ltd	Australia	-	100

Minority interests

Minority interests have a value of nil, as the controlled entity has incurred operating losses in excess of its capital and the parent entity has brought to account 100% of the losses beyond the capital of the controlled entity.

During the year ended 30 June 2008, the Company incorporated:

- BMDI TUTA Healthcare Pty Ltd, a wholly owned subsidiary.

During the year ended 30 June 2008, the Company deregistered:

- IMD Consulting Pty Ltd, a wholly owned subsidiary, on the 23rd of January 2008.
- International Water Systems Pty Ltd, a wholly owned subsidiary, on the 23rd of January 2008.

**BMDI TUTA LIMITED
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**Notes to the Financial Statements for
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NOTE 17 - STATEMENTS OF CASH FLOWS

Reconciliation of cash

For the purposes of the Statements of Cash Flows, cash includes cash on hand and at bank and cash on deposit, net of bank overdrafts and excluding security deposits. Cash as at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the Balance Sheets as follows:

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Reconciliation of net loss from operating activities to net cash used in operating activities				
Loss from operating activities after tax	(1,139,902)	(1,183,669)	(1,548,143)	(1,147,402)
Items classified as investing/financing activities				
Non-cash items				
Depreciation of property, plant and equipment	81,870	68,060	-	-
Impairment loss on intercompany loans	-	-	1,163,642	871,151
Foreign exchange loss	16,358	3,354	2,419	-
Employee entitlements	147,950	20,846	(8,651)	13,513
Issue of options	86,203	-	86,203	-
Asset write off	936	31,635	(12,826)	-
Changes in assets and liabilities				
Receivables	(1,672,400)	(131,205)	35,853	-
Inventories	(1,235,275)	68,890	-	-
Other assets	85,443	(34,481)	-	1,909
Payables	2,826,363	201,905	4,718	19,690
Net cash used in operating activities	(802,453)	(954,565)	(276,785)	(241,139)

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements for
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NOTE 18 – KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel

The following were key management personnel of the Company at any time during the reporting period

Directors

Thomas J. Mann (Chairman)
Gary Lewis (Managing Director)
Keith Cadell
Dr. Mal Eutick
Peter E. Roberts

Executives

Robert Krakowiak (Chief Operating Officer)
Peter Nightingale (Company Secretary)

Remuneration is equivalent to compensation as defined by AASB 124 Related Party Disclosures. The broad remuneration policy is to ensure the remuneration package properly reflects the persons' duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

There are no performance based or variable remuneration arrangements although remuneration levels will be reviewed on annual basis through a process that considers individual, segment and overall performance of the Group.

No options were granted to directors or executives as part of their remuneration.

**BMDI TUTA LIMITED
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**Notes to the Financial Statements for
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The following tables provide the details of all key management personnel of the consolidated reporting entity for the entire reporting period.

Directors	Year	Primary salary and fees \$	Post-employment Superannuation benefits \$	Total \$
<i>Executive</i>				
Keith Cadell (Chairman)	2008	-	-	-
	2007	3,333	300	3,633
Gary Lewis (Managing Director)	2008	141,000	-	141,000
	2007	-	-	-
Dr. Mal Eutick	2008	-	-	-
	2007	-	-	-
Thomas J. Mann	2008	-	-	-
	2007	-	-	-
Peter E. Roberts	2008	-	-	-
	2007	2,083	187	2,270
Total, all directors	2008	141,000	-	141,000
	2007	31,566	487	32,053

Executives	Year	Primary salary and fees \$	Post-employment Superannuation benefits \$	Total \$
<i>Executive</i>				
Robert Krakowiak (Chief Operating Officer)	2008	203,700	16,065	219,765
	2007	200,000	18,000	218,000
Peter J. Nightingale (Company Secretary)	2008	60,000	-	60,000
	2007	60,000	-	60,000
Total, all executives	2008	263,700	16,065	279,765
	2007	260,000	18,000	278,000
Total, all key management personnel	2008	404,700	16,065	420,765
	2007	291,566	18,487	310,053

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements for
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NOTE 18 - KEY MANAGEMENT PERSONNEL DISCLOSURES (Con't)

Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares and terminating preference shares in the Company held directly, indirectly or beneficially, by each specified director or specified executive, including their personally-related entities, is as follows:

Directors	Held at 1 July 2007	Purchases	Sales	Held at 30 June 2008
Thomas J. Mann	1,500,000	-	-	1,500,000
Gary L. Lewis	6,055,800	2,246,500	-	8,302,300
Keith Cadell	642,800	-	-	642,800*
Dr Mal L Eutick	12,988,889 [^]	-	-	12,988,889
Peter E. Roberts	1,671,400	-	-	1,671,400*

[^] Number of shares held at date of appointment as a director.

* Number of shares held at date of ceasing as a director.

Executives	Held at 1 July 2007	Purchases	Sales	Held at 30 June 2008
Robert Krakowiak	250,000	-	-	250,000
Peter J.Nightingale	2,500,000	-	-	2,500,000

Specified directors	Held at 1 July 2006	Purchases	Sales	Held at 30 June 2007
Keith Cadell	642,800	-	-	642,800
Gary Lewis	1,555,000 [^]	4,500,800	-	6,055,800
Peter E. Roberts	571,400	1,100,000	-	1,671,400
Thomas J. Mann	1,500,000	-	-	1,500,000

[^] Number of shares held at date of appointment as a director.

Executives	Held at 1 July 2006	Purchases	Sales	Held at 30 June 2007
Robert Krakowiak	250,000	-	-	250,000
Peter J.Nightingale	2,500,000	-	-	2,500,000

During the year ended 30 June 2007, Peter J. Nightingale had an interest in an entity, Mining Services Trust, which provided full administrative services, including rental accommodation, administrative staff, services and supplies, to the Group. Fees paid to Mining Services Trust during the year, which were in the ordinary course of business and on normal terms and conditions, amounted to \$30,000 (2007 - \$30,000). Amounts unpaid at 30 June 2008 totaled \$0 (2007 - \$0).

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements for
the Year Ended 30 June 2008**

Apart from the details disclosed in this note, no director or specified executive has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' or specified executives interests subsisting at year end.

NOTE 19 - CONTROLLED ENTITIES

At balance date, the Company had amounts receivable from BMDI Pty Limited of \$4,242,038 (2007 - \$3,779,963), BMDI TUTA Healthcare Pty Ltd of \$568,215 (2007- \$0) and Bio Medical Developments International Pty Limited of \$1,674,574 (\$1,694,387). These amounts are interest free, unsecured, have no fixed term of repayment and are repayable out of future profits. This amounts receivable is classified as an investment in this financial report- note 10.

NOTE 20 - FINANCIAL REPORTING BY SEGMENTS

The Group operates wholly within the health care industry in Australia, China, India and the United States.

Geographical segments	Australia	China	India	United States	Consolidated
	\$	\$	\$	\$	\$
30 June 2008					
Revenue					
External segment income	3,893,383	-	103,445	659,522	4,656,350
Unallocated income					130,849
Total revenue					<u>4,787,199</u>
Result					
Segment result	645,764	(141,771)	(46,510)	111,105	568,588
Unallocated corporate expenses					(1,708,490)
Net loss					<u>(1,139,902)</u>
Assets					
Segment assets	7,493,358	161,373	-	-	<u>7,654,731</u>
Including non-current assets acquired during the year:					
Plant and equipment	-	55,957	-	-	55,957
Furniture and fittings	19,229	-	-	-	19,229
Office equipment	146,929	-	-	-	146,929
Warehouse equipment	1,908	-	-	-	1,908
Software	83,432	-	-	-	83,432
	<u>251,498</u>	<u>55,957</u>	<u>-</u>	<u>-</u>	<u>307,455</u>
Segment liabilities	<u>3,642,379</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,642,379</u>

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements for
the Year Ended 30 June 2008**

NOTE 21 - FINANCIAL REPORTING BY SEGMENTS (Cont'd)

Geographical segments	Australia \$	China \$	India \$	Consolidated \$
30 June 2007				
Revenue				
External segment revenue	1,161,799	-	202,487	1,364,286
Unallocated income				245,273
Total revenue				1,609,559
Result				
Segment result	351,603	(34,238)	(89,666)	227,699
Unallocated corporate expenses				(1,411,368)
Net loss				(1,183,669)
Assets				
Segment assets	921,386	-	106,862	1,028,248
Including non-current assets acquired during the year:				
Plant and equipment	77,236	-	-	77,236
Furniture and fittings	8,458	-	-	8,458
Office Equipment	12,941	-	1,900	14,841
	98,635	-	1,900	100,535
Segment liabilities	436,447	-	25,749	462,196

Division of the Group's results and assets into geographical segments has been ascertained by direct identification of assets and revenue cost centres. There are no intersegment revenue transactions and the major products are IV systems, safety, blood banking, surgical and anaesthesia products.