



TOWARD A SAFER WAY.

30 September 2008

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

(61 pages by email)

Dear Madam,

ANNUAL ACCOUNTS

In accordance with Listing Rule 4.7, I attach the Company's Annual Accounts for the year ended 30 June 2008.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. Nightingale'.

Peter J. Nightingale
Company Secretary

pjn4544



TOWARD A SAFER WAY.

BMDi TUTA LIMITED

A.B.N. 30 096 048 912

**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

REGISTERED OFFICE

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318-332 Burns Bay Road

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AUDITORS

KPMG

Level 16, Riparian Plaza

71 Eagle Street

BRISBANE QLD 4000

SHARE REGISTRAR

Computershare Investor Services Pty Limited

PO Box 523

BRISBANE QLD 4000

Phone: +61-7 3237 2100

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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 Group have been significantly restructured.

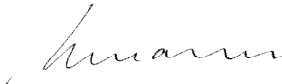
During the year Mr Keith Cadell, the founding Chairman of the Company, passed away. Keith will be sadly missed and I'd like to take this opportunity to pass on the condolences of myself and the staff to his family.

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 OAM to the Board as a non-executive director. This acquisition has provided the Group 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 Group's own market, is reflected in the significant increase in the Group'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 Group.

I would like to thank the Group'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 \$4.66 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 324% to \$1.84m, 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 has increased 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.

Company Overview

BMI 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.

BMI 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 Pty Limited's ('BMDI') global supply chain and distribution footprint and TUTA Healthcare Pty Limited's ('TUTA') strong brand and customer base in the domestic Australian market.

Financial Year 2008 Highlights

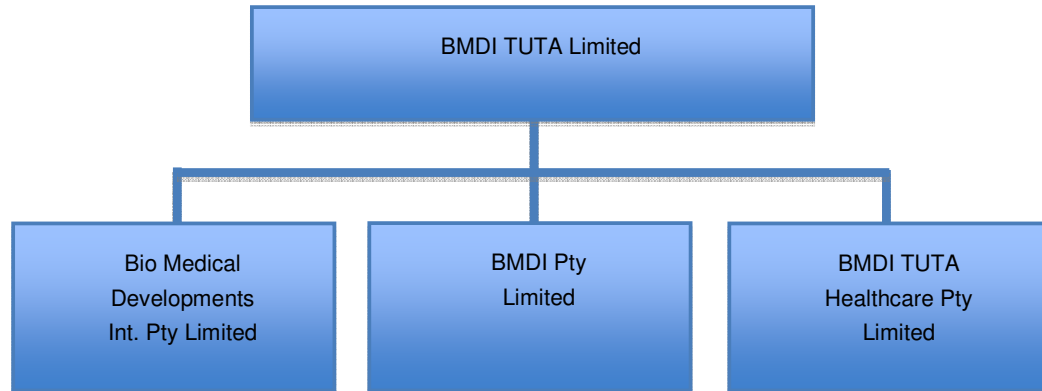
This year will best be remembered as the year BMI acquired the medical devices business of TUTA, the Company's first acquisition since listing in December 2004.

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

In March 2008, BMI acquired the business and select assets of TUTA to form BMDI TUTA Healthcare Pty Limited. The purchase price was \$3.48 million payable through the issue of 60 million new BMI shares at 5.8 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 BMI 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 BMI 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.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

Operating and Financial Review

General Manager, Sales and Marketing

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.

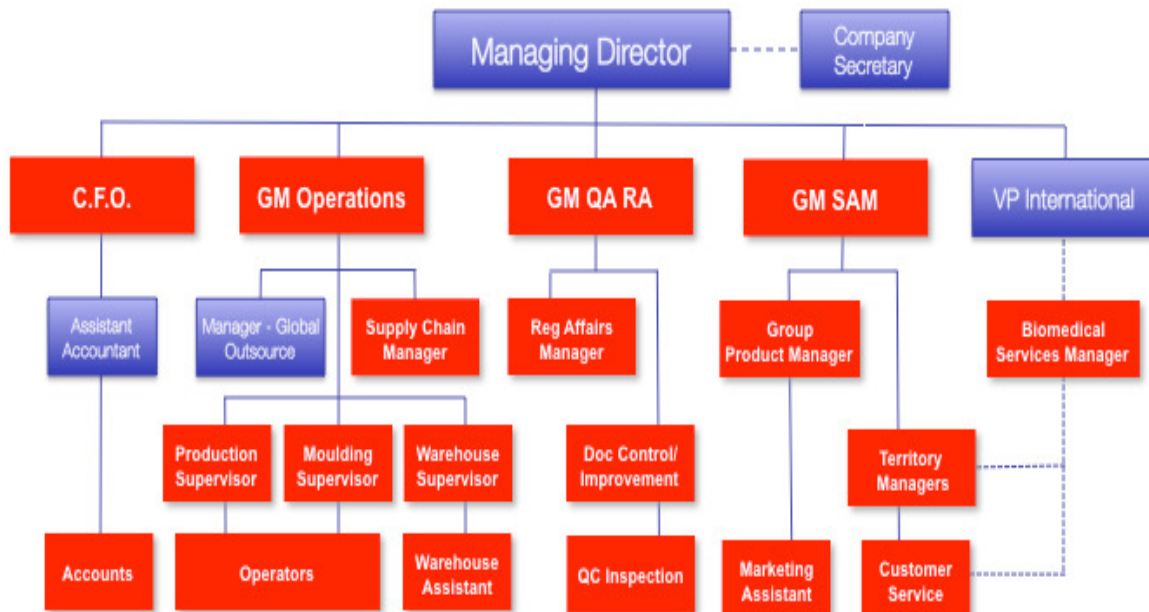
VP International

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.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

Operating and Financial Review

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.

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 BMI 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**

**Statement of Corporate Governance for the
year ended 30 June 2008**

This statement outlines the main Corporate Governance practices that were in place throughout the financial year, which comply with the Australian Stock Exchange ('ASX') Corporate Governance Council recommendations, unless otherwise stated.

Board of Directors

The board of directors is responsible for the overall corporate governance of the Group including its strategic direction, setting remuneration, establishing goals for management and monitoring the achievement of these goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting.

The composition of the board has been determined on the basis of providing the Group with the benefit of a broad range of technical, administrative and financial skills, combined with an appropriate level of experience at a senior corporate level. The names and further information regarding the skills, experience, qualifications and relevant expertise of the directors are set out in the Directors' Report. The board is composed of a minimum of three directors.

The composition of the board is monitored constantly to ensure that it provides the Group with the appropriate levels of both expertise and experience. The board comprises a majority of independent, non-executive directors including the Chairperson. The independence of directors is based on their capacity to put the best interests of the Group and its shareholders ahead of all other interests.

When a board vacancy exists, through whatever cause, or where it is considered that the board would benefit from the services of a new director with particular skills, the board identifies a panel of candidates with appropriate expertise and experience. A selection procedure is then completed and the board appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

Directors, other than the Managing Director, are subject to re-election by the shareholders at least every three years.

Having regard to the current membership of the board and the size, organisational complexity and scope of operations of the entity, a Nomination Committee, a Remuneration Committee and an Audit Committee have not been established.

Each director has the right to seek independent professional advice at the Group's expense. Prior approval of the Chairman is required, but such approval is not unreasonably withheld. A copy of the advice received by the director is made available to all other members of the board.

In the event that a potential conflict of interest may arise, involved directors must withdraw from all deliberations concerning the matter.

Remuneration

The remuneration of the directors is determined by the board as a whole, with the director to whom a particular decision relates being absent from the meeting during the time that the remuneration level is discussed and decided upon.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Statement of Corporate Governance for the
year ended 30 June 2008**

For details on the amount of remuneration and any amount of equity based executive remuneration payment for each director, refer to the Key Management Personnel note to the financial statements and the Remuneration Report in the Directors' Report.

Internal Controls

The board of directors acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. The system of internal control adopted by the Group seeks to provide an appropriate division of responsibility and careful selection and training of personnel relative to the level of activities and size of the Group.

The full board takes responsibility for reviewing financial reporting procedures, internal controls and the performance of the financial management. Selected internal control mechanisms employed to support the business include:

- Investment appraisal – the Group has documented guidelines for capital expenditure and investment appraisals. These include annual budgets, expenditure review procedures and appropriate levels of authority.
- Business planning, budgeting and reporting – a comprehensive business planning process includes evaluation of strategies, objectives, and risks resulting in an annual budget approved by the board. Monthly actual performance is reported against budget and revised forecasts for the year are prepared regularly.
- Quality and integrity of employees – there are clearly defined accountabilities, performance measures, and reinforcement of values and ethics by management.

The CEO and CFO state in writing to the board that the Group's financial statements present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with relevant accounting standards.

External Auditors

Board nominees review the performance of the external auditors and meet with them during the half yearly review and annual audit to discuss any issues that have arisen with respect to accounting policies, any significant operational issues and the level of proposed audit fees. The auditor is requested to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

KPMG, the Company's auditors, were appointed on 22 October 2004.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**S t a t e m e n t o f C o r p o r a t e G o v e r n a n c e f o r t h e
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Ethical Standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, endeavouring at all times to enhance the performance and reputation of the Group. Every employee has direct access to a director to whom they may refer any ethical issues that may arise from their employment.

Directors, officers and employees are permitted to trade in the Company's securities only in accordance with the provisions of the Corporations Act and ASX Listing Rules. The directors are under an obligation to report any dealings by them in the Company's securities.

The Role of Shareholders

The board ensures that the shareholders are informed of all major developments affecting the Group by the following means:

- Distribution of the annual report to all shareholders which contains relevant information about the operations of the Group during the year in addition to disclosures required by the Corporations Act 2001.
- Lodgement of quarterly reports with the ASX which show summarised financial information for the quarter. Copies of these reports are available to shareholders on request.
- Lodgement of the half yearly report with the ASX which contains summarised and audit reviewed financial information. Copies of half yearly financial statements prepared in accordance with the Corporations Act are available to any shareholder on request.
- Lodgement of the annual report with the ASX which contains full audited financial information prepared in accordance with the Corporations Act. The annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document).
- Announcements to the ASX concerning any significant development in the Company's operations, financing and administration. All announcements are immediately available to the general public.
- Disclosure of all major announcements to the ASX on the Group's website.
- The Annual General Meeting is the main opportunity for the shareholders to hear the Managing Director and Chairman provide updates on the Group's performance, ask questions of the board and to express views and vote on various matters of business on the agenda.

The shareholders are responsible for voting on the appointment of directors.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**S t a t e m e n t o f C o r p o r a t e G o v e r n a n c e 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**

Risk Management

Due to the size of the Group, the number of officers and employees and the nature of the Group's business, a formal risk management policy and internal compliance and control system has not been implemented. The chief executive officer and chief financial officer declare, in writing, to the board that that the system of risk management and internal compliance and control which implements the policies adopted by the board has been assessed and found to be operating efficiently and effectively in all material respects.

Each director reviews the business risks affecting his particular area of expertise annually and reports to the board. The board then determines the appropriate actions to eliminate or minimise the identified business risks. The full board oversees the establishment, implementation and ongoing review of the Group's risk management and internal control system. The internal control system covers financial, operational and compliance risks.

Recommendations made by external auditors and other external advisers are investigated by the board and, where necessary, appropriate action is taken to ensure that the Group has the internal control environment to manage the key risks identified. Ways of enhancing existing risk management strategies, including segregation of duties, employment and training of suitably qualified and experienced personnel are investigated by the board.

Performance Evaluation of the Board and Key Executives

Due to the size of the Group, the number of officers and employees and the nature of the Group's business, the board has adopted an informal and continuous performance evaluation process of the directors and key executives. The Group has not established formal performance review measures for the board or key executives nor has it established a nomination committee.

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
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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, whose medical devices business 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 \$1,505,746 (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 medical device 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>79,919</u>	<u>33,686</u>

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 18 and forms part of the directors' report for the year ended 30 June 2008.

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

Directors' Report

Remuneration Report - audited

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 Group'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. No bonuses were paid during the year.

On 1 April 2008 the Company entered into a services contract with Act 2 Pty Ltd, a Company associated with the managing director Gary Lewis to provide consulting services to the Company. The agreement sets out that consulting fees of \$250,000 per annum plus GST will be paid to Act 2 Pty Ltd from commencement to 31 March 2009, with this amount increasing to \$262,500 per annum for the period 1 April 2009 to 31 March 2010.

On 1 July 2007 the Company entered into a service contract with Robert Krakowiak, the Chief Operating Officer. The contract sets out that he is to receive a base salary of \$178,500 plus superannuation and a motor vehicle allowance of \$2,100 per month.

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 \$	Equity Compensation Value of Options \$	Total \$	Options as a % of remuneration
<i>Executive</i>						
Keith Cadell (Chairman)	2008	-	-	-	-	-
	2007	3,333	300	-	3,633	-
Gary L. Lewis (Managing Director)	2008	141,000	-	86,203	227,203	38%
	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	-	86,203	227,203	38%
	2007	31,566	487	-	32,053	-

Due to the cashflow constraints of the Group during the 2008 financial year non-executive directors agreed to forego any directors' fees during the year.

**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 \$	Equity Compensation Value of Options \$	Total \$	Options as a % of remuneration
<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	86,203	506,968	17%
	2007	291,566	18,487	-	310,053	-

Options granted as compensation

Details of options that were granted as compensation to each key management person:

Direc tor	Grant Date	Number of options granted	Fair value at grant date	Option Terms (Exercise Price and Term)
Gary Lewis	30 October 2007	1,500,000	\$39,869	\$0.06 at any time up to 31 August 2008
Gary Lewis	30 October 2007	1,500,000	\$46,334	\$0.10 at any time up to 31 August 2009

The number of options that had vested as at 30 June 2008 is 3,000,000 (2007 – 0). 3,000,000 vested during the year ended 30 June 2008 (2007 – 0).

The fair value of the options at grant date was determined based on the Black-Scholes formula. The model inputs of the options issued, were the Company's share price of \$0.06 at the grant date, a volatility factor of 124% 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
AND ITS CONTROLLED ENTITIES**

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

Consequences of Performance on Shareholder Wealth

In considering the Group's performance and benefits for shareholders wealth, the board have regard to the following indices in respect of the current financial year and the previous four financial years.

	2008	2007	2006	2005	2004
Net loss attributable to equity holders of the Company	1,505,746	1,183,669	2,266,839	2,393,196	2,476,839
Dividends paid	-	-	-	-	-
Change in share price	(0.5) cents	(1.9) cents	1.5 cents	(14.1) cents*	N/A

* From date of listing at 20 December 2004

The overall level of key management personnel's compensation has been determined based on market conditions and advancement of the Group's projects.

Non-executive Directors

Total compensation for all non-executive directors is determined by the board based on market conditions. Due to the cashflow constraints of the Group during the 2008 financial year non-executive directors agreed to forego any directors' fees during the year.

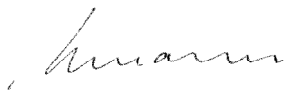
Options

At the date of this report, unissued ordinary shares of the Company under option are:

Number of Options	Exercise Price	Expiry Date
1,500,000	\$0.06	31 August 2008
1,500,000	\$0.10	31 August 2009

The options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Signed at Sydney this 30th day of September 2008
in accordance with a resolution of the Board of Directors:



**Thomas Mann
Chairman**



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of BMDI TUTA Limited:

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008, there have been:

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

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'S.J. Board'.

S.J. Board
Partner

30 September 2008

**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	4,657,709	1,364,286	-	-
Cost of goods sold		(2,819,893)	(931,030)	-	-
Gross profit		1,837,816	433,256	-	-
Government grants	2	128,710	229,792	128,710	229,792
Expenses:					
- administration and consultants	2	(1,154,720)	(536,545)	(258,698)	(190,562)
- depreciation		(50,888)	(68,060)	-	-
- research expenses	2	(56,828)	(124,974)	-	-
- impairment loss	2	(371,383)	-	(729,803)	(871,151)
- write down of inventory	2	(92,314)	-	-	-
- employee expenses	2	(1,292,804)	(428,715)	(321,637)	(249,378)
- travel and accommodation		(179,499)	(197,309)	(10,170)	(4,918)
- occupancy costs		(32,322)	(82,151)	(9,133)	(5,900)
- other		(248,529)	(424,445)	(2,755)	(65,712)
Results from operating activities		(1,512,761)	(1,199,151)	(1,203,486)	(1,157,829)
Financial income	2	7,015	15,482	4,451	10,427
Net financing income		7,015	15,482	4,451	10,427
Loss before related income tax expense		(1,505,746)	(1,183,669)	(1,199,035)	(1,147,402)
Income tax expense	3	-	-	-	-
Loss for the period		(1,505,746)	(1,183,669)	(1,199,035)	(1,147,402)
Basic loss per share attributable to ordinary shareholders	4	1.26 cents	1.35 cents		
Diluted loss per share attributable to ordinary shareholders	4	1.26 cents	1.35 cents		

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**S t a t e m e n t s o f R e c o g n i s e d I n c o m e a n d E x p e n s e
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**

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Net income recognised directly in equity	-	-	-	-
Loss for the period	(1,505,746)	(1,183,669)	(1,199,035)	(1,147,402)
Total recognised income and expense for the period	(1,505,746)	(1,183,669)	(1,199,035)	(1,147,402)

Other movements in equity arising from transactions with owners as owners are set out in note 15.

**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**

	Notes	Consolidated		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	5	292,742	391,682	65,705	264,734
Trade and other receivables	6	1,563,595	409,356	-	35,853
Inventories	7	1,246,836	23,260	-	-
Other	8	-	12,990	-	6,490
TOTAL CURRENT ASSETS		3,103,173	837,288	65,705	307,077
NON-CURRENT ASSETS					
Plant and equipment	9	238,391	178,721	-	-
Investments	10	-	-	3,929,564	119,739
Goodwill	11	3,929,564	-	-	-
Security deposits		-	12,237	-	-
TOTAL NON-CURRENT ASSETS		4,167,955	190,958	3,929,564	119,739
TOTAL ASSETS		7,271,128	1,028,246	3,995,269	426,816
CURRENT LIABILITIES					
Trade and other payables	12	2,235,785	408,877	60,911	59,626
Employee benefits	14	201,959	53,319	39,083	39,083
TOTAL CURRENT LIABILITIES		2,437,744	462,196	99,994	98,709
NON-CURRENT LIABILITIES					
Interest bearing liabilities	13	1,000,000	-	-	-
Employee benefits	14	6,877	-	-	-
TOTAL NON-CURRENT LIABILITIES		1,006,877	-	-	-
TOTAL LIABILITIES		3,444,621	462,196	99,994	98,709
NET ASSETS		3,826,507	566,050	3,895,275	328,107
EQUITY					
Issued capital	15	12,849,508	8,169,508	12,849,508	8,169,508
Equity remuneration reserve	16	86,203	-	86,203	-
Accumulated losses	17	(9,109,204)	(7,603,458)	(9,040,436)	(7,841,401)
TOTAL EQUITY		3,826,507	566,050	3,895,275	328,107

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Statements of Cash Flows
For the year ended 30 June 2008**

	Notes	Consolidated		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		3,443,279	1,233,081	-	-
Cash receipts from government grants		128,710	229,792	128,710	229,792
Cash paid to suppliers and employees		(4,422,625)	(2,432,919)	(491,878)	(481,358)
Cash generated from operations		(850,636)	(970,046)	(363,168)	(251,566)
Interest received		7,015	15,481	4,451	10,427
Net cash used in operating activities	21	(843,621)	(954,565)	(358,717)	(241,139)
CASH FLOWS FROM INVESTING ACTIVITIES					
Loans to controlled entities		-	-	(1,046,800)	(589,492)
Payments for plant and equipment		(128,392)	(100,607)	-	-
Payments for acquisition of business		(309,112)	-	-	-
Payments/receipts for other assets		5,032	(5,572)	6,488	(6,490)
Net cash used in investing activities		(432,472)	(106,179)	(1,040,312)	(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		(76,093)	(428,244)	(199,029)	(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		(22,847)	(3,354)	-	-
Cash and cash equivalents at the end of the financial year		292,742	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').

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 Group has incurred significant trading losses of \$1,505,746 in the year ended 30 June 2008 and has accumulated losses of \$9,109,204 as at 30 June 2008. These conditions give rise to a material uncertainty that may cast significant doubt upon the Company's and the Group's ability to continue as a going concern. The ongoing operation of the Company and the Group is dependent upon:

- the Group achieving cash flow positive trading operations in the coming twelve months; 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 and raising of additional funding from shareholders and external parties.

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 and the financial report of the Company comply with the IFRSs and interpretations adopted by the International Accounting Standards Board ('IASB').

The financial report was authorised for issue by the directors on 30 September 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 functional currency and the functional currency of the Group.

**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 the following notes:

- Note 1 – Going Concern
- Note 3 – Utilisation of tax losses
- Note 9 – Property, plant and equipment
- Note 10 – Investments
- Note 11 - Goodwill

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.

Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Trade and other receivables

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements
For the year ended 30 June 2008**

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreement.

Share-based payment transactions

The fair value of employee stock options is measured using the binomial lattice model. The fair value of share appreciation rights is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on governments bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between the buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeable, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

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 Group's 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group'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 Group’s 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group’s Chief Operating Decision Maker in order to assess each segment’s performance and to allocate resources to them. Currently the Group 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 Group’s 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group’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 Group’s 30 June 2010 financial statements. In accordance with the transitional provisions the Group will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. The Group 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 Group’s 30 June 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group’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 Group’s 30 June 2010 financial statements. The Group has not yet determined the potential effect of the amending standard on the Group’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.

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.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. The cost of inventory may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventory.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements
For the year ended 30 June 2008**

Property plant equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are recognised in profit or loss as incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

- Office Equipment is depreciated at rates between 10% and 67% per annum using the diminishing value method.
- Plant and Equipment is depreciated at rates between 10% and 33% per annum using the diminishing value method.
- Furniture and Fittings are depreciated at rates between 7.5% and 30% per annum using the diminishing value method.
- Warehouse Equipment is depreciated at 20% per annum using the diminishing value method.

Intangible Assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Intangible assets

Goodwill

Goodwill (negative goodwill) arises on the acquisition of subsidiaries, associates and jointly controlled entities.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable asset, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements
For the year ended 30 June 2008**

Acquisitions of minority interests

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

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

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if any objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the profit and loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities the reversal is recognised directly in equity.

Non-financial assets

The carrying amounts of the Company's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. Goodwill and indefinite life intangible assets are tested for impairment annually or earlier if an impairment indicator exists.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements
For the year ended 30 June 2008**

An impairment loss in respect of goodwill is not reversed. In respect of other assets impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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 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.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

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
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**Notes to the Financial Statements
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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.

**BMDI TUTA LIMITED
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**Notes to the Financial Statements
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Revenue recognition

Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the good, and the amount of revenue can be measured reliably.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

Financial income

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

Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

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**

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For the year ended 30 June 2008**

Foreign Currency

Transactions in foreign currencies are translated to the respective functional currencies of group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period and, the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non Monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised directly in equity.

Share Capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

When the company grants options over its shares to employees of subsidiaries, the fair value at grant date is recognised as an increase in the investments in subsidiaries, with a corresponding increase in equity over the vesting period of the grant.

**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 AND FINANCIAL INCOME				
Loss from ordinary activities includes the following items of revenue and expense:				
Revenue and other income				
Sales of goods	4,657,709	1,364,286	-	-
Government grants	128,710	229,792	128,710	229,792
	<u>4,786,419</u>	<u>1,594,018</u>	<u>128,710</u>	<u>229,792</u>
Expenses				
Administration and consultants expenses:				
- general and administrative	637,155	263,752	35,465	88,846
- consultancy fees	517,565	272,793	223,233	101,716
	<u>1,154,720</u>	<u>536,545</u>	<u>258,698</u>	<u>190,562</u>
Research expenses	56,828	124,974	-	-
Impairment loss on intercompany loans	-	-	729,803	871,151
Impairment loss on property, plant and equipment	42,834	-	-	-
Impairment loss on receivables	308,152	-	-	-
Write-down of inventory	92,314	-	-	-
Impairment loss on other assets	20,397	-	-	-
Wages and Salaries	1,160,562	407,869	235,434	235,865
Increase in liability for annual leave	46,039	20,846	-	13,513
Equity settled share based payment	86,203	-	86,203	-
Auditors' remuneration (KPMG)				
- Audit of financial reports	79,919	33,686	64,919	33,686
Foreign exchange loss on cash	22,847	3,354	-	-
Financial income				
Interest revenue	7,323	15,482	4,451	10,427
Interest expense	(308)	-	-	-
	<u>7,015</u>	<u>15,482</u>	<u>4,451</u>	<u>10,427</u>

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	(1,505,746)	(1,183,669)	(1,199,036)	(1,147,402)
Income tax using the domestic corporation tax rate of 30%	(451,724)	(355,101)	(359,711)	(344,221)
Increase/ (decrease) in income tax expense due to:				
- Effect of tax losses of other entities in tax consolidated group				
- Non-deductible expenses	840	35	245,641	35
- Effect of tax losses not brought to account	450,884	355,066	114,070	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	100,436	108,362	596,912	593,625
Tax losses	2,555,787	2,020,668	2,013,193	1,612,451
Net	2,671,223	2,129,030	2,625,105	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 \$1,505,746 (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	1,505,746	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 2008 there are 3,000,000 'potential' ordinary shares on issue, but these options are not included in the calculation of diluted per loss per share as they are not dilutive.

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	274,500	379,930	47,463	252,982
Term deposit	18,242	11,752	18,242	11,752
	292,742	391,682	65,705	264,734

NOTE 6 - RECEIVABLES

Current

Trade debtors	1,382,791	398,598	-	27,500
GST receivable	180,804	10,758	-	8,353
	1,563,595	409,356	-	35,853

During the year ended 30 June 2008 the directors performed an impairment test on the carrying value of trade debtors which had a carrying value at 30 June 2008 of \$1,382,791 after impairment loss. The recoverable amount of trade debtors was estimated based an analysis of overdue debtors and historical debt recovery rates. The recoverable amount was estimated to be \$308,152 lower than the carrying amount of trade debtors and an impairment against trade debtors for that amount was applied.

**BMDI TUTA LIMITED
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**Notes to the Financial Statements
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	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
NOTE 7 - INVENTORIES				
Current				
Raw materials	106,511	-	-	-
Finished goods	1,140,325	23,260	-	-
	<u>1,246,836</u>	<u>23,260</u>	<u>-</u>	<u>-</u>

During the year ended 30 June 2008 the directors performed a net realisable value test on the carrying value of inventory which had a carrying value at 30 June 2008 of \$1,246,836 after write down. The recoverable amount of inventory was the estimated net realisable value which was estimated to be \$92,314 lower than the carrying amount of inventory and a write down against inventory for that amount was applied.

NOTE 8 - OTHER ASSETS

Current

Prepayments	-	12,990	-	6,490
	<u>-</u>	<u>12,990</u>	<u>-</u>	<u>6,490</u>

NOTE 9 – PROPERTY, PLANT AND EQUIPMENT

Plant and equipment	153,535	179,059	-	-
Accumulated depreciation	(54,556)	(62,853)	-	-
	<u>98,979</u>	<u>116,206</u>	<u>-</u>	<u>-</u>
Furniture and fixtures	-	45,624	-	-
Accumulated depreciation	-	(32,078)	-	-
	<u>-</u>	<u>13,546</u>	<u>-</u>	<u>-</u>
Office equipment	195,331	74,726	-	-
Accumulated depreciation	(55,919)	(26,318)	-	-
	<u>139,412</u>	<u>48,408</u>	<u>-</u>	<u>-</u>
Warehouse equipment	-	2,589	-	-
Accumulated depreciation	-	(2,028)	-	-
	<u>-</u>	<u>561</u>	<u>-</u>	<u>-</u>
Total plant and equipment	<u>238,391</u>	<u>178,721</u>	<u>-</u>	<u>-</u>

**BMDI TUTA LIMITED
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**Notes to the Financial Statements
For the year ended 30 June 2008**

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
NOTE 9 – PROPERTY, PLANT AND EQUIPMENT (Con't)				
Plant and equipment				
Carrying amount at beginning of year	116,206	85,720	-	-
Additions	35,065	77,236	-	-
Impairment loss	(28,727)	-	-	-
Depreciation	(23,565)	(46,750)	-	-
Carrying amount at year end	98,979	116,206	-	-
Furniture and fittings				
Carrying amount at beginning of year	13,546	23,015	-	-
Additions	3,934	8,458	-	-
Impairment loss	(13,546)	-	-	-
Depreciation	(3,934)	(17,927)	-	-
Carrying amount at year end	-	13,546	-	-
Office equipment				
Carrying amount at beginning of year	48,408	36,709	-	-
Additions	89,393	14,841	-	-
Additions – business combination	25,000	-	-	-
Impairment loss	(236)	-	-	-
Depreciation	(23,153)	(3,142)	-	-
Carrying amount at year end	139,412	48,408	-	-
Warehouse equipment				
Carrying amount at beginning of year	561	800	-	-
Additions	-	-	-	-
Impairment loss	(325)	-	-	-
Depreciation	(236)	(239)	-	-
Carrying amount at year end	-	561	-	-

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 carrying value at 30 June 2008 of \$238,391 after impairment loss. The recoverable amount of property, plant and equipment was estimated based on its value in use. The discount rate adopted was a pre tax rate of 15% and was based on the current risk free interest rate, industry and business specific risk factors, market borrowing rates and investor expected returns. The forecast cash flows are based on historical results to 30 June 2008 and anticipated growth rates ranging from 0% to 5% based on expected growth in revenue. The recoverable amount was estimated to be \$42,834 lower than the carrying amount of property, plant and equipment and an impairment against property, plant and equipment for that amount was applied.

**BMDI TUTA LIMITED
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**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	-	-	9,980,560	5,467,740
Less cumulative impairment losses	-	-	(6,050,996)	(5,348,001)
Investment in controlled entities, at recoverable amount	-	-	3,929,564	119,739

The investments in controlled entities at cost include cost of shares and loans provided to controlled entities from the Company in its capacity as a shareholder. Due to the inherent uncertainty over the ultimate recovery of these investments, the Company has tested certain 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 recoverable amount was estimated based on its value in use using a pre-tax discount rate of 15%. The Company's investment in TUTA Healthcare Pty Ltd of \$3,929,564 was not tested for impairment at 30 June 2008 as the investment was acquired on 31 March 2008. In the prior year 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 - GOODWILL

3,929,564	-	-	-
3,929,564	-	-	-

The Company issued 60,000,000 fully paid ordinary shares on 31 March 2008 as consideration of \$3,480,000 for the acquisition of medical devices business of TUTA Healthcare Pty Ltd. Consideration was determined by reference to the share price on the date of issue. Costs associated with the acquisition were \$309,112. Property, plant and equipment with a fair value of \$25,000 and a long service leave liability with a fair value of \$165,451 were acquired as part of the acquisition. The Goodwill relating to TUTA Healthcare Pty Ltd of \$3,929,564 was not tested for impairment at 30 June 2008 as the business was acquired on 31 March 2008 and the directors considered no impairment indicators existed in the period from date of acquisition to 30 June 2008. Goodwill represents intangible assets which could not be readily identified or separated.

NOTE 12 - PAYABLES

Current

Trade creditors	1,866,278	278,128	911	31,560
Payroll liabilities	98,168	11,231	-	13,066
Customer deposits	77,914	98,166	-	-
Accruals	193,425	21,352	60,000	15,000
	2,235,785	408,877	60,911	59,626

**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 13 – INTEREST BEARING
LIABILITIES**

Non-current

Loan – related party	1,000,000	-	-	-
	1,000,000	-	-	-

Payable to Pacific Devices Pty Ltd for stock purchased between 1 March 2008 and 30 June 2008. Interest is calculated on the monthly balance at a fixed rate of 15% per annum from 1 July 2008. The loan matures on 1 August 2010, however may be repaid earlier at the discretion of BMDi TUTA Limited.

NOTE 14 – EMPLOYEE ENTITLEMENTS

Current

Provision for employee annual leave and long service leave entitlements	201,959	53,319	39,083	39,083
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Non-current

Provision for employee long service leave entitlements	6,877	-	-	-
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NOTE 15 – ISSUED CAPITAL

Issued and paid up capital

181,764,366 (2007 – 97,764,264) ordinary shares, fully paid	12,849,508	8,168,508	12,849,508	8,168,508
10,000,000 terminating preference shares, fully paid	-	1,000	-	1,000
	12,849,508	8,169,508	12,849,508	8,169,508

	2008 No.	2008 \$	2007 No.	2007 \$
Fully paid ordinary shares				
Balance at beginning of year	97,764,264	8,169,508	85,764,264	7,509,508
Issue of shares	84,000,102	4,680,000	12,000,000	660,000
	181,764,366	12,849,508	97,764,264	8,169,508

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements
For the year ended 30 June 2008**

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 of \$3,480,000 for the acquisition of medical devices business of TUTA Healthcare Pty Ltd. Consideration was determined by reference to the share price on the date of issue.

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 16 – EQUITY REMUNERATION RESERVE				
Opening balance	-	-	-	-
Issue of options	86,203	-	86,203	-
Closing balance	86,203	-	86,203	-

The issue of Company options results in a credit to the option premium reserve to the fair value of the options issued.

- 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, the fair value at grant date was \$39,869 and the share price was \$0.06.
- 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 the fair value at grant date was \$46,334 and the share price was \$0.06.

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.

Dividends

There were no dividends paid or declared during the year ended 30 June 2008 or 30 June 2007.

**BMDI TUTA LIMITED
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**Notes to the Financial Statements
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	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
NOTE 17 - ACCUMULATED 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	(1,505,746)	(1,183,669)	(1,199,035)	(1,147,402)
Accumulated losses at year end	(9,109,204)	(7,603,458)	(9,040,436)	(7,841,401)

No dividends were paid or declared during the period.

NOTE 18 - 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
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NOTE 19 – BUSINESS ACQUISITION

Business Combination

In March 2008 the Group acquired the medical devices business of TUTA Healthcare Pty Ltd, a manufacturer and distributor of sterile and non-sterile medical plastics. A new subsidiary BMDI TUTA Healthcare Pty Ltd was established to operate the business. In the three months to 30 June 2008 the subsidiary incurred a loss of \$173 thousand. This loss was a result of one-off costs associated with the acquisition and subsequent restructure of the TUTA Healthcare business and asset write-downs.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Pre-acquisition Carrying amounts	Fair value adjustments	Recognised values on acquisition
Property, plant and equipment	70,214	(45,214)	25,000
Long service leave liability	(165,452)	-	(165,452)
Net identifiable assets and liabilities	(95,232)	(45,214)	(140,452)
Goodwill on acquisition			3,929,564
Consideration paid*			3,789,112
Cash acquired			-
Net cash outflow			309,112

Goodwill represents intangible assets which could not be readily identified or separated.

* The Company issued 60,000,000 fully paid ordinary shares on 31 March 2008 as consideration of \$3,480,000 for the acquisition of medical devices business of TUTA Healthcare Pty Ltd. Consideration was determined by reference to the share price on the date of issue. Costs associated with the acquisition were \$309,112.

NOTE 20 – FINANCIAL INSTRUMENTS DISCLOSURE

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies are reviewed regularly to reflect changes in market conditions and the Group's activities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and currency risk. The summaries below present information about the Group's exposure to each of these risks, their objectives, policies and processes for measuring and managing risk, the management of capital and financial instruments.

**BMDI TUTA LIMITED
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**Notes to the Financial Statements
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Credit risk

Credit risk arises mainly from the risk of counterparties defaulting on the terms of their agreements. The carrying amounts of the following assets represent the Group's maximum exposure to credit risk in relation to financial assets:

	Consolidated		Company	
	Carrying amount 2008 \$	Carrying amount 2007 \$	Carrying amount 2008 \$	Carrying amount 2007 \$
Cash and cash equivalents	274,500	379,930	47,463	252,982
Trade and other receivables	1,563,595	409,356	-	35,853
Term deposits	18,242	11,752	18,242	11,752
	<u>1,856,337</u>	<u>801,038</u>	<u>65,705</u>	<u>300,587</u>

The Group mitigates credit risk on cash and cash equivalents by dealing with regulated banks in Australia.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Approximately 34 percent of the Group's revenue is attributable to sales transactions with three customers.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables.

The Group has established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The Groups maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was:

	2008	2007
Australia	862,250	255,995
Asia	404,619	-
Europe	160,707	43,763
USA	52,952	109,598
Other	83,067	-
	<u>1,563,595</u>	<u>409,356</u>

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements
For the year ended 30 June 2008**

The Groups most significant customer, a US based organization, accounts for \$52,952 of the trade receivables amount at 30 June 2008 (2007: \$109,598).

The aging of the Group's trade receivables at the reporting date was:

	Gross 2008	Impairment 2008	Gross 2007	Impairment 2007
Not past due	1,500,099	71,231	146,529	-
Past due 30 – 60	82,128	-	254,352	-
Past due 61 – 90	100,110	47,511	8,475	-
	<u>1,682,337</u>	<u>118,742</u>	<u>409,356</u>	<u>-</u>

An impairment loss of \$96,009 was taken up at 30 June 2008 against overseas customers who are either past due on payments or who are on extended payment terms. These extended terms were negotiated at the time of the sale. An impairment loss of \$22,733 was taken up at 30 June 2008 against domestic customers who are past due. No collateral security was held by the Group in relation to debtors past due.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Consolidated	Carrying amount	Contractual cash flows	Less than one year	Between one and five years	More than five years	Interest
30 June 2008						
Trade and other payables	2,157,871	(2,157,871)	(2,157,871)	-	-	-
Interest bearing liabilities	1,000,000	(1,279,156)	-	(1,279,156)	-	(279,156)
	<u>3,157,871</u>	<u>(3,437,027)</u>	<u>(2,157,871)</u>	<u>(1,279,156)</u>	<u>-</u>	<u>(279,156)</u>
30 June 2007						
Trade and other payables	310,711	(310,711)	(310,711)	-	-	-
	<u>310,711</u>	<u>(310,711)</u>	<u>(310,711)</u>	<u>-</u>	<u>-</u>	<u>-</u>

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements
For the year ended 30 June 2008**

20. FINANCIAL INSTRUMENTS DISCLOSURE (Con't)

Liquidity risk (con't)

Company	Carrying amount	Contractual cash flows	Less than one year	Between one and five years	More than five years	Interest
30 June 2008						
Trade and other payables	60,911	(60,911)	(60,911)	-	-	-
	60,911	(60,911)	(60,911)	-	-	-
30 June 2007						
Trade and other payables	59,626	(59,626)	(59,626)	-	-	-
	59,626	(59,626)	(59,626)	-	-	-

Ultimate responsibility for liquidity management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate funding and monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of expected settlement of financial assets and liabilities.

Interest rate risk

The Group's income statement is affected by changes in interest rates due to the impact of such changes on interest income from cash and cash equivalents, interest bearing security deposits and interest on the interest bearing liabilities.

At balance date, the Group had the following mix of financial assets exposed to variable interest rate risk that are not designated as cash flow hedges:

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash and cash equivalents	274,500	379,930	47,463	252,982
Term deposits	18,242	11,752	18,242	11,752
Net exposure	292,742	391,682	65,705	264,734

**BMDI TUTA LIMITED
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**Notes to the Financial Statements
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Sensitivity analysis

An increase of 100 basis points in interest rates throughout the reporting period would have decreased the loss for the period by the amounts shown below, whilst a decrease would have had the increased loss by the same amount. The Group's equity consists of fully paid ordinary shares. There is no effect on fully paid ordinary shares by an increase or decrease in interest rates during the period.

	Consolidated Loss for the year \$	Company Loss for the year \$
30 June 2008	<u>2,927</u>	<u>657</u>
30 June 2007	<u>3,916</u>	<u>2,647</u>

Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than Australian dollars, the respective functional currency of the Group's entities. During the year ended 30 June 2008 approximately 56 percent of the Group's sales were denominated in AUD with the remaining balance in USD, approximately 90 percent of the Group's purchases were in USD, approximately 9 percent in AUD with the remainder in CHF.

The Group does not hedge any of its foreign currency exposure.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board ensures costs are not incurred in excess of available funds and will seek to raise additional funding through issues of shares for the continuation of the Group's operation. There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

Net fair values of financial assets and liabilities

The carrying amounts of financial assets and liabilities approximate their net fair values, given the short time frames to maturity and or variable interest rates.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements
For the year ended 30 June 2008**

NOTE 21 - 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	(1,505,746)	(1,183,669)	(1,199,035)	(1,147,402)
Items classified as investing/financing activities				
Non-cash items				
Depreciation of property, plant and equipment	50,888	68,060	-	-
Impairment loss on intercompany loans	-	-	729,803	871,151
Foreign exchange loss	22,848	3,354	-	-
Employee entitlements	46,039	20,846	-	13,513
Provision for doubtful debts	308,152	-	-	-
Share based payment	86,203	-	86,203	-
Impairment loss on property, plant and equipment	42,834	-	-	-
Write down of inventory	92,314	-	-	-
Changes in assets and liabilities				
Receivables	(1,154,239)	(131,205)	35,853	-
Inventories	(1,223,576)	68,890	-	-
Other assets	90,904	(34,481)	-	1,909
Payables	2,299,758	233,540	(11,541)	19,690
Net cash used in operating activities	(843,621)	(954,565)	(358,717)	(241,139)

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements
For the year ended 30 June 2008**

NOTE 22 – 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)

Individual directors and executives compensation disclosures

Information regarding individual directors and executive's compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 are provided in the Remuneration Report Section of the Directors' report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving director's interests existing at year-end.

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements
For the year ended 30 June 2008**

NOTE 22 - 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

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 (2008 - \$0), 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. 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**

A director of the Company, Dr. Mal Eutick is also the Chief Executive Officer of Pacific Devices Pty Ltd which the Group has a long term loan of \$1 million for stock purchased between 1 March 2008 and 30 June 2008. Interest is calculated on the monthly balance at a fixed rate of 15% per annum from 1 August 2008. The loan matures on 1 August 2010.

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.

NOTE 23 - CONTROLLED ENTITIES

At balance date, the Company had amounts receivable from BMDI Pty Limited of \$4,218,649 (2007 - \$3,779,963), BMDI TUTA Healthcare Pty Ltd of \$4,087,330 (2007- \$0) and Bio Medical Developments International Pty Limited of \$1,674,581 (\$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 24 - 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	3,894,742	-	103,445	659,522	4,657,709
Unallocated income					135,725
					<u>4,793,434</u>
Result					
Segment result	(120,038)	(141,771)	(46,510)	111,105	(197,214)
Unallocated corporate expenses					(1,308,532)
Net loss					<u>(1,505,746)</u>
Assets					
Segment assets	7,022,051	161,373	-	87,704	7,271,128
Including non-current assets acquired during the year:					
Plant and equipment	-	35,065	-	-	35,065
Furniture and fittings	3,934	-	-	-	3,934
Office equipment	30,961	-	-	-	30,961
Warehouse equipment	-	-	-	-	-
Software	83,432	-	-	-	83,432
	<u>118,327</u>	<u>35,065</u>	<u>-</u>	<u>-</u>	<u>153,392</u>
Segment liabilities	<u>3,356,500</u>	<u>-</u>	<u>-</u>	<u>88,121</u>	<u>3,444,621</u>

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements
For the year ended 30 June 2008**

NOTE 24 - 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
				<u>1,609,559</u>
Result				
Segment result	351,603	(34,238)	(89,666)	227,699
Unallocated corporate expenses				(1,411,368)
				<u>(1,183,669)</u>
Net loss				
				<u>(1,183,669)</u>
Assets				
Segment assets	921,386	-	106,862	1,028,248
				<u>1,028,248</u>
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
	<u>98,635</u>	<u>-</u>	<u>1,900</u>	<u>100,535</u>
Segment liabilities	<u>436,447</u>	<u>-</u>	<u>25,749</u>	<u>462,196</u>

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.

NOTE 25 - COMMITMENTS

On 1 April 2008 the Company entered into a services contract with Act 2 Pty Ltd, a Company associated with the managing director Gary Lewis to provide consulting services to the Company. The agreement sets out that consulting fees of \$250,000 per annum plus GST will be paid to Act 2 Pty Ltd from commencement to 31 March 2009, with this amount increasing to \$262,500 per annum for the period 1 April 2009 to 31 March 2010.

The Group has a rental lease of \$46,147 per month payable until the end of December 2008, a total of \$276,882.

The Group has a lease agreement for a forklift. \$4,397 is payable for each of the next four years, with \$4,031 payable in the fifth year.

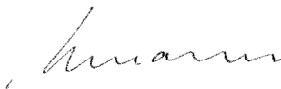
**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

D i r e c t o r s ' D e c l a r a t i o n

In the opinion of the Directors of BMDI TUTA Limited ('the Company'):

1. (a) the financial statements and notes set out on pages 19 to 52, and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report, set out on pages 15 and 17, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards, (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.
 - (c) the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report comply with Australian Accounting Standards AASB 124 *Related Party Disclosures*, the Corporations Act 2001 and the Corporations Regulations 2001; and
 - (d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2008.

Signed at Sydney this 30th day of September 2008
in accordance with a resolution of the Board of Directors:



Thomas Mann
Chairman



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF BMDI TUTA LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of BMDI TUTA Limited (the “Company”) , which comprises the balance sheets as at 30 June 2008, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 25 and the directors’ declaration of the Group comprising the Company and the entities it controlled at the year’s end or from time to time during the financial year.

Directors’ responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor’s responsibility

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

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion on the financial report

In our opinion:

- (a) the financial report of BMDI TUTA Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2008 and of their performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw your attention to Note 1, 'Going Concern' in the financial report which indicates that the Group incurred a net loss of \$1,505,746 for the year ended 30 June 2008 and has accumulated losses of \$9,109,204 as at 30 June 2008. These conditions, along with other matters as set forth in Note 1 indicate the existence of a material uncertainty which may cast significant doubt about the Company's and the Group's ability to continue as a going concern.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 15 to 17 of the Directors' Report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of BMDI TUTA Limited for the year ended 30 June 2008, complies with Section 300A of the *Corporations Act 2001*.



KPMG

30 September 2008



S.J. Board
Partner

Additional Stock Exchange Information

**BMDI TUTA LIMITED
AND ITS CONTROLLED ENTITIES**

**A d d i t i o n a l S t o c k E x c h a n g e
I n f o r m a t i o n**

Use of Cash and Assets

Since the Company's listing on the Australian Stock Exchange, the Company has used its cash and assets that it had at the time of listing in a way consistent with its stated business objectives.

On Market Buy Back

There is no on market buy-back.

Twenty Largest Shareholders

At 15 September 2008 the twenty largest quoted shareholders held 64.09% of the fully paid ordinary shares as follows:

	Name	Number	%		Name	Number	%
1	Amnicole Investments Pty Ltd <The Amnicole A/C>	10,888,889	5.99	11	Script to Screen Pty Ltd	5,060,853	2.78
	Cordato Partners (Services) Pty Limited <Cordato Partners Serv A/C>	10,488,889	5.77	12	Mr Andrew Fay <Andrew Fay Super Fund A/C>	4,881,775	2.69
2	Three Pagodas Pty Ltd <Three Pagodas A/C>	10,488,889	5.77	13	Andrew Fay	3,000,000	1.65
3	Treplo Pty Ltd <Stevanne Super Fund A/C>	10,488,889	5.77	14	Mr Louis Petrin	2,950,000	1.62
4	Mrs Narelle Fay	9,127,212	5.02	15	Ms Lorraine Reddel	2,950,000	1.62
5	Mr Andrew Fay	8,226,043	4.53		Mr Nicholas Dawson and Mrs Nancy Nell Dawson <Dawson Family S/F A/C>	2,916,319	1.60
6	Narelle Fay	8,000,000	4.40	16	Eight Pagodas Pty Ltd <Eight Pagodas Super Fund A/c>	2,500,000	1.38
7	ACT 2 Pty Limited	6,646,025	3.66	17	Rosignol Pty Ltd	2,500,000	1.38
8	Mr Louis Petrin and Ms Lorraine Reddel <Arrow Scientific S/F A/C>	5,900,000	3.25	18	Greenstead Capital Pty Limited	2,100,000	1.16
9	Auhill Investments Services Pty Ltd	5,244,444	2.89	19	Mr. Gary Leon Lewis and Mrs Shirley Ann Lewis <Lewis S/F A/C>	2,099,700	1.16
10				20			