

MEDICAL AUSTRALIA LIMITED

A.B.N. 30 096 048 912

Appendix 4D

Australian Securities Exchange Listing Rules Disclosure

Half-year report

For the period ending 31 December 2012

Compared to prior half-year period 31 December 2011

Results for announcement to the market

ENTITY RESULTS

	31 December 2012	31 December 2011	Change \$	Change %
Revenue from ordinary activities	4,786,335	4,801,333	(14,998)	Decrease 0.3%
Loss from ordinary activities after tax attributable to members	(296,453)	(367,092)	70,639	N/A
Net loss for the period attributable to members	(296,453)	(367,092)	70,639	N/A

DIVIDENDS

No interim dividend was declared for the period ended 31 December 2012.

EXPLANATION OF RESULTS

Please refer to the half-year commentary for an explanation of the results.

NET TANGIBLE ASSETS PER SECURITY

	31 December 2012	31 December 2011
Net Tangible Assets per ordinary share	0.08 cents	0.20 cents



MEDICAL AUSTRALIA LIMITED

A.B.N. 30 096 048 912

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2012

Lodged with the ASX under Listing Rule 4.2A.

This information should be read in conjunction with the 30 June 2012 Annual Report.

**MEDICAL AUSTRALIA 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 Gary Lewis (Chairman)

Mr Mark Donnison (CEO)

Mr Ian Mitchell

Dr Geoff Cumming

COMPANY SECRETARY

Mr Ian Mitchell

REGISTERED OFFICE

Level 11, 37 Bligh Street

SYDNEY NSW 2000 Australia

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PRINCIPAL OFFICE

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AUDITORS

Gould Ralph Assurance

Level 42, Suncorp Place

259 George Street

SYDNEY NSW 2000

Phone: +61-2 9032 3000 Fax: +61-2 9032 3088

SHARE REGISTRY

Boardroom Pty Limited

Level 7, 207 Kent Street

SYDNEY NSW 2000

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**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

C o n t e n t s

Contents	Page
Directors' Report	3
Auditor's Independence Declaration	5
Consolidated Statement of Comprehensive Income	6
Consolidated Statement of Financial Position	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	9
Notes to the half-year financial statements	10
Directors' Declaration	16
Independent Review Report	17

MEDICAL AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

Directors' Report For the half-year ended 31 December 2012

Your directors submit their directors' report together with the consolidated financial report of the Company, being Medical Australia Limited and its controlled entities, for the half-year ended 31 December 2012, and the auditor's review report thereon.

Directors

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

Gary Lewis (Chairman)	Director since 10 January 2012
Ian Burnham Mitchell	Director since 6 November 2008
Mark Donnison	Director since 30 June 2011
Dr. Geoff Cumming	Director since 23 January 2009

Review of Operations

Medical Australia Limited is a medical company engaged in the manufacture, distribution and sale of a broad range of medical devices used by acute and primary healthcare facilities in Australian and global markets. The Group focuses on three core clinical therapy areas within the broader medical devices market – medication delivery (intravenous (IV) systems); reuse prevention; and surgical and anaesthesia products.

Medical Australia manufactures for an international customer base comprising public and private hospitals, defence forces, non-government aid organisations and government departments and critical care services. In addition, the Group's expertise in medical device sourcing and outsourced manufacturing has resulted in significant Original Equipment Manufacturing (OEM) sales to major international medical device companies.

The Company has identified the animal health market in the UK and Europe as a leading growth driver, with strong interest in stem cell regenerative medicine technology.

(a) Financial Results

The consolidated result for the six months to 31 December 2012 highlights revenues of \$4,786,335, which remained by large in line with the prior half-year period.

Gross Margin for the period to December 2012 was \$2,628,745 which increased by \$28,555 in comparison to the corresponding period to December 2011.

Overheads for the period to December 2012 were \$67,616 lower than the period to December 2011. The main areas of cost savings were in legal expenses of \$143,866 and decreased employee benefits expenses \$141,346. Management will ensure that the pressure on cost control remains in place for the next six months.

The Group recorded a loss of \$296,453 for the half-year period.

During the six months to 31 December 2012, a debtor finance facility was implemented to provide funding for the Company's working capital and strategic investments. The \$1m facility is based on Australian debtors with the agreement being for 1 year, after which the term can be extended.

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

**Directors' Report
For the half-year ended 31 December 2012**

(b) Operational Results

Key achievements

- Repayment of the NAB loan (principal and interest totalling \$180k). The Group's fixed and floating charge was released from NAB as a result.
- A \$1million debtor finance facility was set up and became operational in November 2012 with Moneytech Pty Ltd. The finance company now has a fixed and floating charge over the assets of the business.
- The Group has added another sales resource in the UK to increase its market penetration in the region. The Group has entered into a supply agreement with the National Health Service to supply products to the human health market.
- A new agreement has been reached with Ambulance Victoria during the period which is expected to provide increases to revenue in the next six months.

Key relationships

The Group has continued to build on its relationship with key stakeholders including its critical suppliers of goods and services, OEM partners, financial and legal partners, and most importantly our shareholders.

The Group remains very focused on growing both the local and international markets and is pursuing aggressive growth strategies in order to increase its market share.

The Group is constantly reviewing its supply chain in order to improve its efficiency to its customers. The Directors are committed to providing excellent quality products to its customers on a timely basis however only at acceptable gross margins.

Events Subsequent to Balance Date

There has not arisen in the interval between the end of the period 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.

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

The lead auditor's independence declaration is set out on page 5 and forms part of the directors' report for the half-year ended 31 December 2012.

Signed in accordance with a resolution of the board of directors.



Gary Lewis
Non-Executive Chairman
Dated this 27th day of February 2013

Chartered Accountants

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27 February 2013

The Board of Directors
Medical Australia Limited
Level 17, 275 Alfred Street
NORTH SYDNEY NSW 2060

Dear Directors

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

As lead audit partner for the review of the financial statements of Medical Australia Limited for the half-year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours sincerely
GOULD RALPH ASSURANCE
Chartered Accountants



GREGORY C RALPH, M.COM, FCA
Partner

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2012

	Notes	31 December 2012 \$	Consolidated 31 December 2011 \$
Sale of goods		4,786,335	4,801,333
Cost of goods sold		(2,157,590)	(2,201,143)
Gross profit		<u>2,628,745</u>	<u>2,600,190</u>
Expenses:			
Administration and consultants		(445,653)	(318,808)
Advertising and marketing		(11,482)	(49,117)
Depreciation and amortisation		(98,062)	(133,699)
Employee benefits expenses		(1,539,703)	(1,681,049)
Occupancy costs		(234,159)	(212,769)
Other		(262,434)	(335,912)
Travel and accommodation		(238,466)	(166,221)
(Loss) before interest and income tax		<u>(201,214)</u>	<u>(297,385)</u>
Financial income		3,296	15,339
Financial expense		(69,442)	(85,046)
Net financing (loss)		<u>(66,146)</u>	<u>(69,707)</u>
(Loss) before income tax		(267,360)	(367,092)
Income tax expense		(29,093)	-
(Loss) for the period	3	<u><u>(296,453)</u></u>	<u><u>(367,092)</u></u>
Other comprehensive income after income tax			
Exchange differences on translating foreign operation		(4,468)	-
Total comprehensive (loss) for the period		<u><u>(300,921)</u></u>	<u><u>(367,092)</u></u>
Basic (loss) per share attributable to ordinary shareholders (cents per share)		(0.07) cents	(0.08) cents
Diluted (loss) per share attributable to ordinary shareholders (cents per share)		(0.07) cents	(0.08) cents

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

Consolidated Statement of Financial Position
As at 31 December 2012

		31 December 2012	Consolidated 30 June 2012
	Notes	\$	\$
CURRENT ASSETS			
Cash and cash equivalents		313,346	578,221
Trade and other receivables		1,271,325	920,925
Inventories		1,235,064	1,258,769
Current tax assets		93,624	122,717
Other assets		91,133	42,222
TOTAL CURRENT ASSETS		3,004,492	2,922,854
NON-CURRENT ASSETS			
Property, plant and equipment		234,744	297,700
Intangible assets	4	4,311,061	4,333,694
TOTAL NON-CURRENT ASSETS		4,545,805	4,631,394
TOTAL ASSETS		7,550,297	7,554,248
CURRENT LIABILITIES			
Trade and other payables		1,322,016	1,280,074
Borrowings	6	1,266,207	550,854
Provisions		293,994	317,772
TOTAL CURRENT LIABILITIES		2,882,217	2,148,700
NON-CURRENT LIABILITIES			
Borrowings	6	-	434,826
Provisions		12,840	14,561
TOTAL NON-CURRENT LIABILITIES		12,840	449,387
TOTAL LIABILITIES		2,895,057	2,598,087
NET ASSETS		4,655,240	4,956,161
EQUITY			
Issued capital	5	18,476,311	18,476,311
Equity remuneration reserve		131,410	131,410
Foreign Currency translation reserve		(1,907)	2,561
Accumulated losses		(13,950,574)	(13,654,121)
TOTAL EQUITY		4,655,240	4,956,161

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

**Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2012**

	Issued capital	Equity Remuneration Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2011	17,249,844	110,358	-	(12,985,197)	4,375,005
(Loss) for the period	-	-	-	(367,092)	(367,092)
Other comprehensive income	-	-	-	-	-
Total comprehensive (loss)	-	-	-	(367,092)	(367,092)
Cost of share based payments	-	21,052	-	-	21,052
Equity contributions	1,222,217	-	-	-	1,222,217
Balance at 31 December 2011	18,472,061	131,410	-	(13,352,289)	5,251,182
Balance at 1 July 2012	18,476,311	131,410	2,561	(13,654,121)	4,956,161
(Loss) for the period	-	-	-	(296,453)	(296,453)
Other comprehensive income	-	-	(4,468)	-	(4,468)
Total comprehensive (loss)	-	-	(4,468)	(296,453)	(300,921)
Balance at 31 December 2012	18,476,311	131,410	(1,907)	(13,950,574)	4,655,240

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

Consolidated Statement of Cash Flows
For the half-year ended 31 December 2012

	Consolidated	
	31 December 2012	31 December 2011
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	4,752,967	4,781,603
Paid to suppliers and employees	(5,226,500)	(5,095,627)
Interest paid	(72,507)	(69,885)
Interest received	3,590	4,252
	<u> </u>	<u> </u>
Net cash (used in) operating activities	(542,450)	(379,657)
	<u> </u>	<u> </u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(2,952)	(157,853)
	<u> </u>	<u> </u>
Net cash (used in) investing activities	(2,952)	(157,853)
	<u> </u>	<u> </u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	958,734
Proceeds from borrowings	1,405,908	-
Repayments of borrowings	(1,125,381)	(154,382)
	<u> </u>	<u> </u>
Net cash provided by financing activities	280,527	804,352
	<u> </u>	<u> </u>
Net (decrease) / increase in cash and cash equivalents	(264,875)	266,842
Cash and cash equivalents at the beginning of the period	578,221	828,297
	<u> </u>	<u> </u>
Cash and cash equivalents at the end of the period	313,346	1,095,139
	<u> </u>	<u> </u>

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the half-year financial statements

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These general purpose consolidated financial statements for the interim half-year reporting period ended 31 December 2012 have been prepared in accordance with Accounting Standard AASB 134 “Interim Financial Reporting”, and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards.

The half-year financial report does not include all notes of the type normally included within the annual financial report, and therefore, cannot be expected to provide as full an understanding of the statement of comprehensive income, statement of financial position and financing and investing activities of the economic entity as a full financial report.

This half-year report should be read in conjunction with the Annual Financial Report of Medical Australia Limited for the year ended 30 June 2012 and any public announcements made by Medical Australia Limited and its controlled entities during the half-year ended 31 December 2012, in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

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 incurred a loss of \$296,453 and incurred negative cash flows from operations of \$542,450 for the half-year ended 31 December 2012. Accumulated losses were \$13,950,574 as at that date.

Management has prepared a cash flow forecast for the 14 months ending February 2014 that supports the ability of the entity to continue as a going concern. These cash flow projections assume a 6.5% increase in sale revenues and points to a positive cash position at the end of February 2014. The Directors are presently satisfied that the projected cashflow will be achieved.

In November 2012 the Group introduced a receivables finance facility to support the Group’s working capital requirements.

After taking into account all available information the Directors have concluded that there are reasonable grounds to believe the Company will be able to pay its debts as and when they fall due.

No adjustments have been made to the recoverability and classification of recorded asset values and the amount and classification of liabilities that might be necessary should the Group not continue as a going concern.

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the half-year financial statements

Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. All amounts are presented in Australian dollars, unless otherwise noted.

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2012.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

There are no new and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group.

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

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the half-year financial statements

NOTE 2 - SEGMENT REPORTING

The Group operates wholly within the health care industry in Australia, New Zealand, Asia and UK.

Geographical segments 31 December 2012	Australia \$	New Zealand \$	Asia \$	United Kingdom \$	Unallocated / Eliminations \$	Consolidated \$
Revenue						
External segment income	4,141,177	176,846	164,945	36,432	266,935	4,786,335
Interest income	-	-	-	-	-	3,296
						<u>4,789,631</u>
Result						
Segment result	(256,495)	(10,953)	(10,216)	(2,256)	(16,533)	<u>(296,453)</u>
Net (loss)	<u>(256,495)</u>	<u>(10,953)</u>	<u>(10,216)</u>	<u>(2,256)</u>	<u>(16,533)</u>	<u>(296,453)</u>
Assets						
Segment assets	10,051,657	-	-	219,100	(2,720,460)	<u>7,550,297</u>
Including non-current assets acquired during the period:						
Furniture & Fittings	1,484	-	-	-	-	1,484
Plant & Equipment	1,673	-	-	8,091	-	9,764
	<u>3,157</u>	<u>-</u>	<u>-</u>	<u>8,091</u>	<u>-</u>	<u>11,248</u>
Segment liabilities	<u>11,747,799</u>	<u>-</u>	<u>-</u>	<u>489,643</u>	<u>(9,342,385)</u>	<u>2,895,057</u>

Geographical segments 31 December 2011	Australia \$	New Zealand \$	Asia \$	United Kingdom \$	Unallocated / Eliminations \$	Consolidated \$
Revenue						
External segment income	3,868,886	193,093	465,627	89,467	184,260	4,801,333
Interest income	-	-	-	-	-	15,339
						<u>4,816,672</u>
Result						
Segment result	(324,295)	(8,815)	(21,257)	(4,159)	(8,566)	<u>(367,092)</u>
Net (loss)	<u>(324,295)</u>	<u>(8,815)</u>	<u>(21,257)</u>	<u>(4,159)</u>	<u>(8,566)</u>	<u>(367,092)</u>
Assets						
Segment assets	9,961,301	-	-	95,699	(2,303,693)	<u>7,753,307</u>
Including non-current assets acquired during the period:						
Plant & Equipment	53,480	-	-	95,699	-	149,179
	<u>53,480</u>	<u>-</u>	<u>-</u>	<u>95,699</u>	<u>-</u>	<u>149,179</u>
Segment liabilities	<u>11,427,897</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,925,772)</u>	<u>2,502,125</u>

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the half-year financial statements

NOTE 2 – SEGMENT REPORTING (Cont'd)

Division of the Group's results and assets into geographical segments has been ascertained by direct identification of revenue cost centres. Asia includes China, India, Malaysia, Singapore and Thailand and primarily represents sales of components to our suppliers. There are no intersegment revenue transactions. The major products are IV systems, safety, blood banking, surgical and anaesthesia products.

NOTE 3 – RESULTS FOR THE PERIOD

	Consolidated	
	31 December 2012	31 December 2011
	\$	\$
The following expense items are relevant in explaining the financial performance for the period:		
Due diligence costs	31,740	-
Investor relation costs	47,348	-
Legal fees relating to dispute with former supplier	6,627	147,904

NOTE 4 – INTANGIBLE ASSETS

	Consolidated	
	31 December 2012	30 June 2012
	\$	\$
Goodwill – TUTA Healthcare	3,409,564	3,409,564
Goodwill on acquisition – Clements	701,151	701,151
	<u>4,110,715</u>	<u>4,110,715</u>
Product Development Costs – Gross	359,179	359,179
Less: Accumulated amortisation	(158,833)	(136,200)
Product Development Costs - net	<u>200,346</u>	<u>222,979</u>
	<u><u>4,311,061</u></u>	<u><u>4,333,694</u></u>

The Group has adopted a policy of capitalising Product Development Costs related to specific projects, in accordance with AASB 138. Intangible asset costs are amortised on a straight line basis over the useful life of the product being 8 years. As at 31 December 2012, specific Product Development Costs capitalised as intangible assets had a carrying value of \$200,346 (30 June 2012: \$222,979).

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the half-year financial statements

NOTE 5 – ISSUED CAPITAL

	Consolidated			
	31 December 2012		31 December 2011	
Fully paid ordinary shares	Number	\$	Number	\$
Balance at the beginning of the half-year	453,925,832	18,476,311	392,564,953	17,249,844
Options exercised at \$0.02 per share in July 2011	-	-	47,239,183	944,784
Options exercised at \$0.02 per share in August 2011	-	-	3,000,000	60,000
Options underwritten at \$0.02 per share in August 2011	-	-	10,871,698	217,433
Less share issue costs	-	-	-	-
Balance at the end of the half-year	453,925,832	18,476,311	453,675,834	18,472,061

Issued capital as at 31 December 2012 amounted to \$18,476,311 (453,925,832 ordinary shares). There were no movements in the issued capital of the company in the current half-year period.

NOTE 6 – BORROWINGS

	Consolidated	
	31 December 2012	30 June 2012
	\$	\$
Current		
Bank loan - secured (i)	-	276,000
Loans	562,870	274,854
Debtor finance facility (ii)	703,337	-
Total	1,266,207	550,854
Non-current		
Loans	-	434,826

(i) The National Australia Bank short-term loan facility was fully repaid on 8 November 2012 using the proceeds from the debtor finance facility.

(ii) During November 2012, the Company implemented a receivables financing facility with Moneytech Finance Pty Ltd which is secured by charge over the Company and all controlled and associated entities. The facility expires November 2013, subject to renewal.

The limit on the finance facility is \$1,000,000.

The amount drawn against this facility at 31 December 2012 was \$703,337.

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the half-year financial statements

NOTE 7 – DIVIDENDS

No dividends have been declared or paid during the current period or the prior period.

NOTE 8 – RELATED PARTIES

There have been no significant related party transactions since 30 June 2012. All transactions with related parties are conducted on normal commercial terms and conditions.

NOTE 9 – EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the financial period 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.

**MEDICAL AUSTRALIA 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 Medical Australia Limited:

- (a) the financial statements and notes set out on pages 6 to 15, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the financial half-year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including AASB 134 – Interim Financial Reporting), (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed at Sydney this 27th day of February 2013
in accordance with a resolution of the Board of Directors:



Gary Lewis
Non-Executive Chairman

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF MEDICAL AUSTRALIA LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Medical Australia Limited and its controlled entities, which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Medical Australia Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Medical Australia Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Matters Relating to Electronic Publication of the Reviewed Financial Report

This review report relates to the financial report of Medical Australia Limited and its controlled entity's for the half-year period ended 31 December 2012 included on the website of Medical Australia Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on this integrity. This review report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of the financial report are concerned with the inherent risk arising from publication on a website, they are advised to refer to the hard copy of the reviewed financial report to confirm the information contained in this website version of the financial report.

Independence

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

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our conclusion expressed above, we draw attention to Note 1 'Going Concern' to the financial statements, which identifies that the consolidated entity incurred a loss of \$296,453, with negative cash flows from operations of \$542,450 for the half-year ended 31 December 2012 and had accumulated losses of \$13,950,574 as at that date. These conditions, together with other matters set forth in Note 1 'Going Concern', indicates the existence of a material uncertainty that casts doubt about the consolidated entity's ability to continue as a going concern.

GOULD RALPH ASSURANCE
Chartered Accountants



GREGORY C RALPH M.Com., F.C.A.
Partner
Sydney

Dated this 27th day of February 2013