

Appendix 4E

Preliminary final report

Medical Australia Limited

ABN 30 096 048 912

Financial Year ended ('Current Period')	Financial year ended ('Previous period')
30 June 2011	30 June 2010

Results for announcement to the market

Revenue from ordinary activities	Up	20%	To	8,781,299
Loss from ordinary activities attributable to members	Down	74%	To	(342,723)
Net loss for the period attributable to members	Down	74%	To	(342,723)

Dividends (Distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	N/A
Interim Dividend	Nil	N/A
Previous corresponding period		
Final Dividend	Nil	N/A
Interim Dividend	Nil	N/A

Record Date for determining entitlements to dividends	N/A
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Brief explanation of the figures reported above and short details of any bonus or cash issue or other items of importance not previously reported to the market	See Attached report
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NTA Backing	Current period	Previous corresponding period
Net Tangible Asset backing per ordinary security	(0.001) cents	(0.5) cents

No acquisitions or disposals of controlled entities occurred during the year ended 30 June 2011. No acquisitions or disposals of interests in associates or joint ventures occurred during the year ended 30 June 2011.

Financial Report

- **Revenue up to \$8.8 million**
- **Gross profit up to \$4.9m (GP% at 56%)**
- **Strengthened board and senior management team**
- **Exploring new revenue streams both locally and internationally**
- **Company now has a strong and stable growth platform**

Medical products manufacturer and distributor Medical Australia Limited today reports gross profit of \$4.9 million (FY 2010: \$4.3 million) for the year ended 30 June 2011. Due to a number of one off costs, the company recorded a net loss of \$342,723. Revenue grew to \$8.8 million from \$7.30 million in FY10.

The result shows the dramatic improvement in the profitability of the Company over the past two years, however it was lower than the estimates released to the market previously (refer Rights Issue Prospectus on 30 June 2010). The Company did not break-even in FY 2011 however this was due to the amount of one-off costs as detailed below:

		('\$000)
NPAT after abnormals		(343)
<u>Abnormals</u>		
Legal Fees for Sekel Oshry (Multigate/THI)	249	
Care Essentials Acquisition Costs	73	
Recruitment Fees (GM Finance & Administration/Supply Chain Manager)	38	360
NPAT before abnormals		<u>17</u>

During the year, the company continued to invest in its supply chain, consolidating a large part of its manufacturing operations through American owned Asian based facilities. This has resulted in a significant improvement in product quality and delivery, and gives MLA the flexibility to expand product distribution into new international markets. New opportunities in the UK commenced during the year with other opportunities in the Middle East to commence in FY12. Importantly, these growth initiatives can be achieved without further capital expenditure.

MLA also strengthened its board and senior management team. In March of this year, Mr. Greg Lewis resigned as Chief Financial Officer replaced by Mr Suraj Sethuram as General Manager – Finance & Administration. In June, Mr Gary Lewis resigned as Non-executive director and was replaced on the board by Mr Mark Donnison, as Managing Director and Chief Executive Officer. The new leadership team has extensive experience in the healthcare sector and an ability to drive the business to achieve its earnings targets.

The Company announced to the market on 4th April 2011 it had entered into a supply agreement with Healthscope for IV consumables and the full impact of the deal will be realized in FY12. Similarly the impact of the UNICEF supplier agreement to supply needle cutters announced to the market on 11th May 2011 will be experienced in FY12. Other significant contracts entered post 30 June were the securing distributorship agreement with Medivet for Great Britain and the supply of Analytica products in Sydney's Concord Hospital. Both of these agreements will further improve the revenues for the Company in FY12.

FY11 has been significant in terms of the Company's history. The Company has had to absorb some abnormal costs of \$360,000 and paid down \$186,842 in interest and in spite of this, it has recorded only a \$342,723 loss. On a normalised basis, the Company would have made a small profit of approximately

\$17,000. Net current assets in FY11 was \$416,862, which improved by approximately \$1 million compared to a Net current liability of \$663,402 in FY10.

During June 2011, a portion of the Company's options were exercised, with the balance to be exercised during July 2011. The exercising of the options will generate approximately \$1.3 million cash including the underwriter of the non-exercised options, Auckland Trust Company. The influx of cash will be used in a strategic manner to ensure that shareholders receive maximum return, the Company meets and exceeds its earnings targets and is a significant player in the healthcare industry.

Outlook

The outlook for FY12 is very promising with a substantial increase on FY11 revenue and subsequent improvement in profitability. The Company believes that its targets can be achieved based on its growth assumptions.

The growth in the Medivet side of the business will be crucial to the achievement of the FY12 targets. This will not only improve earnings, but it will also open up new markets and new opportunities for the Company to expand in the future.

There will be a focus on streamlining various administrative portfolios across the business which may reduce operating costs during FY12. Aligning administrative functions to support the core business will result in efficiencies in our supply chain, reduce freight costs thus improving shareholder value.

Mark Donnison
CEO & Managing Director
31 August 2011

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

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

**Statement of Comprehensive Income
For the year ended 30 June 2011**

		Consolidated	
		2011	2010
	Notes	\$	\$
Sale of goods	2	8,781,299	7,298,003
Cost of goods sold		(3,836,911)	(2,995,078)
Gross profit		4,944,388	4,302,925
Expenses:			
Administration and consultants	2	(849,662)	(712,610)
Depreciation		(141,192)	(137,563)
Write down of inventory	2	-	(303,934)
Employee expenses	2	(3,161,818)	(3,051,202)
Travel and accommodation	2	(193,652)	(220,062)
Occupancy costs		(381,987)	(331,989)
Other	2	(460,857)	(663,712)
Loss before interest and tax		(244,780)	(1,118,147)
Financial income	2	13,796	5,143
Financial expense	2	(186,842)	(229,885)
Net financing loss		(173,046)	(224,742)
Loss before income tax expense		(417,826)	(1,342,889)
Income tax benefit	3	75,103	-
Loss for the year		(342,723)	(1,342,889)
Other comprehensive income after tax		-	-
Total comprehensive loss for the year		(342,723)	(1,342,889)
Basic loss per share attributable to ordinary shareholders (cents per share)	4	(0.09) cents	(0.51) cents
Diluted loss per share attributable to ordinary shareholders (cents per share)	4	(0.09) cents	(0.51) cents

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

**Statement of Financial Position
As at 30 June 2011**

		Consolidated	
	Notes	2011	2010
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		828,297	190,677
Trade and other receivables		966,924	852,676
Inventories		889,833	776,636
Prepayments		14,672	3,817
TOTAL CURRENT ASSETS		2,699,726	1,823,806
NON-CURRENT ASSETS			
Plant and equipment		340,086	336,175
Intangibles	5	4,378,714	4,422,709
TOTAL NON-CURRENT ASSETS		4,718,800	4,758,884
TOTAL ASSETS		7,418,526	6,582,690
CURRENT LIABILITIES			
Trade and other payables		1,427,112	1,880,423
Interest bearing liabilities	6	616,419	447,299
Provisions		239,333	159,486
TOTAL CURRENT LIABILITIES		2,282,864	2,487,208
NON-CURRENT LIABILITIES			
Interest bearing liabilities	6	751,283	1,028,000
Provisions		9,374	7,002
TOTAL NON-CURRENT LIABILITIES		760,657	1,035,002
TOTAL LIABILITIES		3,043,521	3,522,210
NET ASSETS		4,375,005	3,060,480
EQUITY			
Issued capital	7	17,249,844	15,602,018
Equity remuneration reserve		110,358	100,936
Accumulated losses	8	(12,985,197)	(12,642,474)
TOTAL EQUITY		4,375,005	3,060,480

The Statement of Financial Position should be read in conjunction with the accompanying notes. Page 5 of 17

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

Statement of Changes in Equity
For the year ended 30 June 2011

	Issued capital	Reserves	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2009	15,029,018	86,203	(11,299,585)	3,815,636
Loss for the year	-	-	(1,342,889)	(1,342,889)
Cost of share based payments	-	14,733	-	14,733
Equity contributions	641,000	-	-	641,000
Share issue costs	(68,000)	-	-	(68,000)
Balance at 30 June 2010	15,602,018	100,936	(12,642,474)	3,060,480
Loss for the year	-	-	(342,723)	(342,723)
Cost of share based payments	-	9,422	-	9,422
Equity contributions	1,679,618	-	-	1,679,618
Share issue costs	(31,792)	-	-	(31,792)
Balance at 30 June 2011	17,249,844	110,358	(12,985,197)	4,375,005

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

**S t a t e m e n t s o f C a s h F l o w s
F o r t h e y e a r e n d e d 3 0 J u n e 2 0 1 1**

		Consolidated	
		2011	2010
Notes		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		8,629,004	7,895,475
Cash receipts from government grants		-	-
Cash paid to suppliers and employees		(9,054,323)	(8,528,800)
Cash generated from operations		(425,319)	(633,325)
Interest paid		(464,762)	(79,885)
Interest received		8,295	5,143
Income taxes refund		75,103	-
Net cash used in operating activities	10	(836,683)	(708,067)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(101,108)	(102,211)
Payments for other assets		-	(54,131)
Net cash used in investing activities		(101,108)	(156,342)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares/options		1,650,298	575,733
Payment of share issue costs		-	(68,000)
Proceeds from Borrowings		500,000	-
Repayment of Borrowings		(207,588)	(60,000)
Net cash provided by financing activities		1,942,710	447,733
Net decrease in cash held		1,004,919	(416,676)
Cash and cash equivalents – beginning of year		(176,622)	240,054
Cash and cash equivalents at the end of the financial year		828,297	(176,622)

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements
For the year ended 30 June 2011**

NOTE 1 – BASIS OF PRESENTATION

Statement of compliance

The preliminary financial report does not include all the notes of the type normally included with the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

This preliminary final report has been prepared in accordance with the requirements of the Australian Stock Exchange listing rules.

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 a trading loss of \$342,723 for the year ended 30 June 2011 (2010 - Loss of \$1,342,889) and has accumulated losses of \$12,642,474 and net current assets of \$416,862 as at 30 June 2011.

As disclosed in Note 12 – ‘Subsequent Events’ the cash received from exercising the options will be used to pay down debt, fund strategic working capital initiatives and the balance will be kept aside in a low risk, interest-bearing cash management trust for strategic investment purposes.

The directors have prepared cash flow projections that support the ability of the Group to continue as a going concern. These cash flow projections assume increases in revenues compared to FY11 on the basis of the various opportunities identified. The cashflow forecast for FY12 points to a strong position taking into account payments to our critical suppliers.

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements
For the year ended 30 June 2011**

	2011	Consolidated	2010
	\$		\$
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	8,781,299		7,298,003
	8,781,299		7,298,003
Expenses			
Administration and consultants expenses:			
- General and administrative	438,119		287,210
- Legal fees	361,086		167,160
- Consultancy fees	50,457		258,240
	849,662		712,610
Write-down of inventory	-		303,934
Care Essentials Acquisition Costs	72,601		-
Wages and Salaries	3,145,385		2,966,382
Increase in leave provisions	82,219		84,820
Equity settled share based payment	9,479		14,733
Travel and entertainment	193,652		220,062
Audit of financial reports	95,399		127,964
Foreign exchange (gain)/ loss	(155,532)		(71,869)
Financial income			
Interest revenue	13,796		5,143
Interest expense	(186,842)		(229,885)
	(173,046)		(224,742)

At 30 June 2011, the Group had 29 employees (2010 - 24).

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements
For the year ended 30 June 2011**

	Consolidated	
NOTE 3 - INCOME TAX EXPENSE	2011	2010
	\$	\$
Numerical reconciliation between tax expense and pre-tax net loss		
Loss before tax – continuing operations	(342,723)	(1,342,889)
Income tax using the domestic corporation tax rate of 30%	(102,817)	(402,867)
Increase/ (decrease) in income tax expense due to:		
- Non-deductible expenses	56,587	63,568
- Impairment write-down	-	-
- Effect of tax losses not brought to account	121,333	339,299
- Research and development tax offset	-	-
Income tax benefit/(expense)	75,103	-

	Consolidated	
NOTE 4 – LOSS PER SHARE	2011	2010
	\$	\$
Net loss for the year	(342,723)	(1,342,889)
	Number	Number
Weighted average issued ordinary shares at year end	363,548,140	261,266,802

As at 30 June 2011 there are 53,110,881 (options) (2010: 3,000,000) 'potential' ordinary shares on issue. These options are not included in the calculation of diluted per share as they are not considered dilutive.

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements
For the year ended 30 June 2011**

	Consolidated	
NOTE 5 - INTANGIBLES	2011	2010
	\$	\$
Goodwill – TUTA Healthcare	3,409,564	3,409,564
Goodwill on acquisition – Clements	701,151	701,151
Product Development Costs – Gross	359,179	359,109
Less: Accumulated amortisation	(91,180)	(47,115)
Product Development Costs - net	267,999	311,994
	4,378,714	4,422,709

The Goodwill relating to the Cash Generating Unit TUTA Healthcare of net \$3,409,564 was tested for impairment at 30 June 2011. The directors believed that \$Nil impairment write-down existed in the period to 30 June 2011 (2010: \$Nil).

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

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. As at 30 June 2011, specific Product Development Costs capitalised as intangible assets had a carrying value of \$267,999 (June 2010: \$311,994).

	Consolidated	
NOTE 6 – INTEREST BEARING LIABILITIES	2011	2010
	\$	\$
Current		
Bank overdraft	-	367,299
Bank Loan	416,000	-
Loans	200,419	80,000
Total	616,419	447,299
Non-current		
Loans	751,283	1,028,000
Total	751,283	1,028,000

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements
For the year ended 30 June 2011**

	Consolidated	
NOTE 7 – ISSUED CAPITAL	2011	2010
Issued and paid up capital	\$	\$
392,564,953 (2010 – 277,844,152)		
ordinary shares, fully paid	17,249,844	15,602,018

	2011	2011	2010	2010
	No.	\$	No.	\$
Fully paid ordinary shares				
Balance at beginning of year	277,844,152	15,602,018	252,977,488	15,029,018
Issue of shares (Net of issue costs)	114,720,801	1,647,826	24,866,664	573,000
Balance at end of year	392,564,953	17,249,844	277,844,152	15,602,018

During the year:

- The Company issued 52,144,138 fully paid ordinary shares at 1.5 cents per share on 24 August 2010
- The Company issued 3,333,333 fully paid ordinary shares at 1.5 cents per share on 24 August 2010
- The Company issued 6,933,335 fully paid ordinary shares at nil consideration on 24 August 2010 as it related to rights issue adjustment
- The Company issued 15,015,272 fully paid ordinary shares at 1.5 cents per share on 26 August 2010
- The Company issued 15,001,300 fully paid ordinary shares at 1.5 cents per share on 30 September 2010
- The Company issued 607,292 fully paid ordinary shares at 3 cents per share on 30 September 2010
- The Company issued 12,233,333 fully paid ordinary shares at 1.5 cents per share on 15 November 2010
- The Company issued 1,533,334 ordinary shares in consideration of services rendered from directors, issue date 4 January 2011, at 1.2 cents per share
- The Company issued 1,100,000 ordinary shares in consideration of services rendered from directors. The shares were issued on 31 March 2011 at 3.7 cents per share
- Options of 6,819,464 is exercised at 2 cents per share in June 2011

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	
NOTE 8 - ACCUMULATED LOSSES	2011	2010
	\$	\$
Accumulated losses at beginning of year	(12,642,474)	(11,299,585)
Net loss attributable to members of the parent entity	(342,723)	(1,342,889)
Accumulated losses at end of the year	(12,985,197)	(12,642,474)

No dividends were paid or declared during the period.

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements
For the year ended 30 June 2011**

NOTE 9 - PARTICULARS IN RELATION TO CONTROLLED ENTITIES

Parent Entity

Medical Australia Limited is an Australian incorporated company listed on the Australian Stock Exchange.

Controlled Entities	Country of Incorporation	Ownership Interest	
		2011	2010
		%	%
BMDI Pty Ltd	Australia	100	100
BMDI TUTA Healthcare Pty Ltd	Australia	100	100
Bio Medical Developments International Pty Ltd	Australia	70	70

During the year, no controlled entities were acquired or disposed.

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.

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements
For the year ended 30 June 2011**

NOTE 10 - 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 Statement of Financial Position as follows:

	2011	Consolidated	2010
	\$		\$
Reconciliation of net loss from operating activities to net cash used in operating activities			
Loss from operating activities after tax	(342,723)		(1,342,889)
Items classified as investing/financing activities			
Non-cash items			
Depreciation of property, plant and equipment	141,192		137,563
Movements in Provisions	52,984		94,816
Share based payment	27,379		20,000
Care Essentials deposit written off	50,000		-
Changes in assets and liabilities			
Receivables	(112,050)		623,972
Inventories	(113,197)		527,526
Customer deposits	-		(26,500)
Other assets	(10,855)		(54,179)
Payables	(529,413)		(688,376)
Net cash used in operating activities	(836,683)		(708,067)

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements
For the year ended 30 June 2011**

NOTE 11 - FINANCIAL REPORTING BY SEGMENTS

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

Geographical segments	Australia	Asia	New Zealand	Consolidated
	\$	\$	\$	\$
30 June 2011				
Revenue				
External segment income	7,388,367	569,966	355,119	8,313,452
Unallocated income				467,847
				<u>8,781,299</u>
Result				
Segment result	(330,819)	(5,005)	(3,118)	(338,942)
Unallocated corporate expenses				(3,781)
				<u>(342,723)</u>
Net loss				
Assets				
Segment assets	7,418,526	-	-	<u>7,418,526</u>
Including non-current assets acquired during the year:				
Plant and equipment	-	-	-	-
Furniture and fittings	-	-	-	-
Office equipment	16,105	-	-	16,105
Software	5,890	-	-	5,890
Leasehold Improvements	79,045	-	-	79,045
	<u>101,040</u>	<u>-</u>	<u>-</u>	<u>101,040</u>
Segment liabilities	<u>3,043,521</u>	<u>-</u>	<u>-</u>	<u>3,043,521</u>

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements
For the year ended 30 June 2011**

NOTE 11 - FINANCIAL REPORTING BY SEGMENTS (Cont'd)

Geographical segments	Australia	Asia	New Zealand	Consolidated
	\$	\$	\$	\$
30 June 2010				
Revenue				
External segment income	6,292,244	850,159	56,790	7,199,193
Unallocated income	-	-	-	98,810
				<u>7,298,003</u>
Result				
Segment result	(1,158,003)	(156,341)	(10,443)	(1,324,787)
Unallocated corporate expenses				(18,102)
				<u>(1,342,889)</u>
Net loss				
Assets				
Segment assets	6,582,690	-	-	<u>6,582,690</u>
Including non-current assets acquired during the year:				
Plant and equipment	-	-	-	-
Furniture and fittings	13,268	-	-	13,268
Office equipment	12,058	-	-	12,058
Software	32,908	-	-	32,908
Leasehold Improvements	1,594	-	-	1,594
	<u>59,828</u>	<u>-</u>	<u>-</u>	<u>59,828</u>
Segment liabilities	<u>3,522,210</u>	<u>-</u>	<u>-</u>	<u>3,522,210</u>

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.

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

**Notes to the Financial Statements
For the year ended 30 June 2011**

Note 12 - SUBSEQUENT EVENTS

The Company received \$678,570 in cash post 30 June 2011. This represented 38,083,074 options exercised at 2 cents per share by 14th July 2011 offset by settlement of a shareholder loan, principle and interest, of \$83,091. As stated to the market on 25th July 2011, the unexercised options will be underwritten by Auckland Trust Company Limited.

Compliance Statement

1. This preliminary report has been prepared in accordance with Australian Accounting Standards which includes Australian equivalents to International Financial Reports Standards (AIFRS). Compliance with AIFRS ensures compliance with International Financial Reporting Standards (IFRS).
2. This preliminary report, and the accounts upon which the report is based (if separate), use the same accounting policies.
3. This preliminary report does give a true and fair view of the matters disclosed.
4. The accounts are in the process of being audited.
5. The entity has a formally constituted audit committee.

Sign here:

Print name: Mark Donnison
CEO and Managing Director

Date: 31 August 2011

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