medical australia

MEDICAL AUSTRALIA LIMITED

A.B.N. 30 096 048 912

ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2013

MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES

CORPORATE DIRECTORY

DIRECTORS

Mr Gary Lewis (Chairman)

Mr Mark Donnison (Managing Director)

Mr Ian Mitchell

Dr Geoff Cumming

COMPANY SECRETARY

Mr Ian Mitchell

REGISTERED OFFICE

Level 11, 37 Bligh Street

SYDNEY NSW 2000 Australia

Phone: +61-2 9466 5300

Fax: +61-2 9922 7165

Email: info@medaust.com

Website: www.medaust.com

PRINCIPAL OFFICE

Level 17, 275 Alfred Street

NORTH SYDNEY NSW 2060

Phone: +61-2 9466 5300

Fax: +61-2 9922 7165

AUDITORS

Gould Ralph Assurance

Level 42, Suncorp Place

259 George Street

SYDNEY NSW 2000

SHARE REGISTRY

Boardroom Pty Ltd

Level 7, 207 Kent Street

SYDNEY NSW 2000

Phone: +61-2 9290 9600

Fax: +61-2 9279 0664

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AND ITS CONTROLLED ENTITIES

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CHAIRMAN'S LETTER

I am pleased to present you with the 2013 Annual Report for Medical Australia Limited.

The 2013 fiscal year has been one of the most challenging on record for the Company and for the small cap equity market generally. With market sentiment retaining a risk adverse bias, shares prices and cash balances across the sector are at or near historic lows, and trading conditions have proved difficult.

While the Company did post a significant net loss for the financial year, a considerable proportion of this loss can be attributable to both the acquisition of Medivet Pty Ltd, in particular costs associated with due diligence and capital raising, and an impairment write-down taken on the Clements business. In relation to the latter, we are in discussion with a number of interested parties on the potential sale of this business unit.

Importantly, the core Tuta medical plastics division remains in excellent shape, which is a testament to the hard work and professionalism of our staff throughout the year.

As a consequence of the 2013 performance, your Board has embarked on a review of operations and, as a result, has initiated headcount and general overhead reductions in order to reduce cost and to streamline areas of the business. The benefits of this review, and the actions taken, will become evident in future reporting periods, with over $1 million in recurring annualised expenditure having being removed from the business.

The acquisition of Medivet Pty Ltd is a potential game-changer for the Company. When the two organisations are brought together, it will create a vertically integrated business with products and solutions for both the human and animal health markets with cutting edge technology, supported by a sound and reliable administrative and corporate governance infrastructure. The focus of much of the year by the Board and Senior Management has been on ensuring this transaction is finalised.

The year ahead will see the Company embark on a new direction, away from a sole focus on the manufacturing and distribution of our traditional human health products through our Tuta and Clements brands. Post-acquisition, Medical Australia will also become a world leader in the animal health industry based on MediVet's market-leading stem cell and regenerative medicine technologies.

On behalf of the Board, I would like to extend my gratitude to our Managing Director, Mr Mark Donnison, and his team for their efforts during this tough period of time. I look forward to their enthusiasm and commitment in the 12 months ahead.

Finally, I would like to thank all of our shareholders for their support and look forward to providing positive returns post acquisition.

Signed at Sydney this 30th day of September 2013

Gary Lewis
Non-Executive Chairman

OPERATING AND FINANCIAL REVIEW

Chief Executive Officer's Review

Disclosure of Operations

Medical Australia Limited is a manufacturer and distributor of medical devices and consumables to the human health market in Australia and overseas. The Company markets its products in Australia, UK, US and the Middle East. Note 23 provides details of the financial performance of the Company's key operations.

The Company is pursuing an aggressive strategy of increasing market share in these markets and in other markets such as the animal health market. The Company will generate sales from a broad range of products in multiple markets.

Disclosure of Operations - Profit

The Loss for the year was more than double the loss recorded in the previous financial year as a result of the costs incurred on due diligence on the MediVet acquisition and capital raising costs being $284k as well as an impairment write-down of the Clements business of $301k. There was a reduction in Employee benefits expense of approximately $122k due to a reduction in headcount as a result of an operational review. The Company firmly believes that it has completed all of its restructuring activities and has a more efficient resource base to build on future successes. Future savings will amount to over $1m per annum as a result of the operational review and restructure.

Disclosure of Operations - Sales

Overall sales revenue for FY13 was lower than prior year by less than 1%. The Tuta disposable plastics business however grew by 7% over prior year whereas the sales of Clements fell by 15% over prior year. The competitive pressures in the Clements market, especially in Middle East and Asia, has largely contributed to the decline in sales.

Disclosure of Financial position

Total assets fell by approximately $1m in FY13 with a decline in cash and cash equivalents of $450k, Intangible assets fell by $301k due to the impairment write-down and a decline in inventory levels of approximately $270k with a provision for stock obsolescence taken into account.

Conversely, total liabilities increased by $300k in FY13 mainly driven by a new debtor finance facility and payment of approximately $280k of NAB loan principal and interest during the year.

Business strategies and prospects for future financial years

The business strategies and financial forecasts will largely change after the completion of the MediVet acquisition (expected quarter 2 FY14). Information will be released to the market in due course.

Signed at Sydney this 30th day of September 2013

Mark Donnison
Chief Executive Officer

STATEMENT OF CORPORATE GOVERNANCE

The Directors of Medical Australia Limited ("MLA") are responsible for the corporate governance of the Medical Australia Group ("Group"). The Board guides and monitors the business and affairs of Medical Australia on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Company and its main corporate governance practices are applicable to all subsidiaries and are summarised below.

1. Compliance with ASX best practice recommendations

The ASX Listing Rules require a statement in a listed company's Annual Report which discloses the extent to which the ASX 30 best practice recommendations have been followed in the reporting period. As a listed company, Medical Australia must identify those recommendations which have not been followed and provide reasons for non-compliance.

This Statement sets out in detail the Company's compliance with the ASX Corporate Governance Council's best practice recommendations. The Company considers that its practices comply with all 30 of the ASX best practice recommendations as at 30 June 2013. A checklist summarising this is set out in Page 14 to 16 of this report.

2. The Board of Directors

(a) Membership

The Board has a range of relevant financial and other skills, experience and expertise to meet its objectives. The current Board composition, including details of director backgrounds is contained within the Directors' Report.

ASX Recommendation 2.6

The Company's Constitution requires a minimum of 3 directors and a maximum of 9 directors. As at 30 June 2013, there were three non-executive Directors and one executive director, in conformity with the Company's policy that the Board has a majority of non-executive directors. The Chairman, Mr Gary Lewis, is a non-executive director. The terms and conditions of appointment and retirement of directors are set out in the Company's Constitution. The Board believes that its membership should have enough directors to serve on various committees of the Board without overburdening the Directors or making it difficult for them to fully discharge their responsibilities.

(b) Board role and responsibilities

The Board is responsible to shareholders and investors for the Group's overall corporate governance.

The Board has established and approved a Board Charter. Under this Charter the Board is responsible for:

- Considering and approving the corporate strategies proposed by the Managing Director and monitoring their implementation;

2. The Board of Directors (Continued)

- Approving, overseeing and monitoring financial and other reporting to shareholders, investors, employees and other stakeholders of the Company;
- Ensuring that the Company has the appropriate human, financial and physical resources to execute its strategies;
- Appointing and monitoring the performance of, and removing the Managing Director;
- Ratifying the appointment, and where appropriate, the removal of the Chief Financial Officer (or equivalent) and / or Company Secretary;
- Reviewing the effectiveness of the Company's policies and procedures regarding risk management, including internal controls and accounting systems; and
- Ensuring appropriate governance structures are in place including standards of ethical behaviour and a culture of corporate and social responsibility.

(c) Chairman

The Chairman, satisfies the requirements for an Independent Chairman under ASX Recommendations 2.1 and 2.2 as Mr Gary Lewis is a non-executive, and has 4.5% of the Shares (Recommendations permit 5%).

The Chairman is elected by the full Board of directors and is responsible for:

- Leadership of the Board;
- The efficient organisation and conduct of the Board's functions;
- The promotion of constructive and respectful relations between Board members and between the Board and management;
- Contributing to the briefing of Directors in relation to issues arising at Board meetings;
- Facilitating the effective contribution of all Directors; and
- Committing the time necessary to effectively discharge the role of the Chairman.

ASX Recommendation 2.3

(d) Independent directors

The Company recognises that independent directors are important in assuring shareholders that the Board is properly fulfilling its role and is diligent in holding senior management accountable for its performance. The Board assesses each of the directors against specific criteria to decide whether they are in a position to exercise independent judgement. Directors are considered to be independent if they are independent of management and free from any business or other relationship that could materially interfere with, the exercise of their unfettered and independent judgement. Materiality is assessed on a case-by-case basis by reference to each director's individual circumstances rather than general materiality thresholds. In assessing independence, the Board considers whether the director has a business or other relationship with the Company, directly or as a partner, shareholder or officer of a Company or other entity that has an interest or a business relationship with the Company or another Medical Australia group member.

Mr Gary Lewis, Mr Ian Mitchell and Dr Geoff Cumming meet the Recommendations' various tests of independence. Therefore there is a majority of independent non-executive Directors and independent Directors on the Board.

2. The Board of Directors (Continued)

ASX Recommendation 2.1, 2.6

(e) Avoidance of conflicts of interest by a director

In accordance with the Corporations Act and the Company's Constitution, Directors must keep the Board advised of any interest that could potentially conflict with those of the Company.

In the event that a conflict of interest may arise, involved Directors must withdraw from all deliberations concerning the matter. They are not permitted to exercise any influence over other Board members further when that matter is being considered the Director may not vote on that matter, in accordance with the Corporations Act.

(f) Board Meetings

The Board regularly monitors the operational and financial performance of the Company and the economic entity against budget and other key financial risks. Appropriate risk management strategies are developed to mitigate all identified risks of the business.

The number of times the Board has formally met and the number of meetings attended by directors during the financial year are reported in the Directors' Report. The Board Charter dictates that the Board will hold ten scheduled meetings each year and, other meetings may be held at short notice as required.

(g) Review of Board Performance

The process for conducting the Board's annual performance review was agreed by the Board and was performed by the Chairman of the Board. Matters covered in the annual performance review include:

- The Board's contribution to developing strategy and policy;
- Interaction between the Board and management, and between Board members;
- The Board's processes to monitor business performance and compliance, control risk and evaluate Management;
- Board composition and structure; and
- The operation of the Board, including the conduct of Board meetings, Board Committee meetings and group behaviours.

ASX Recommendation 2.5

(h) Nomination and appointment of new directors

Recommendations for nominations of new directors are made by the Board Nominations Committee and considered by the Board in full. Mr Gary Lewis and Dr Geoff Cumming are members of the Board Nominations Committee during the financial year and Dr Cumming is Chairman of the Committee.

Board membership is reviewed annually by the Committee to ensure the Board has appropriate mix of qualifications, skills and experience. External advisers may be used in this process. Candidates are appointed by the Board and must stand for election at the next general meeting of shareholders. If a

2. The Board of Directors (Continued)

new director is appointed during that year, that person will stand for election by shareholders at the next annual general meeting. Shareholders are provided with relevant information on the candidates for election. The Nominations Committee reviews appointment criteria from time to time and makes recommendations concerning the re-election of any director by shareholders.

ASX Recommendations 2.1, 2.4

(i) Retirement and re-election of directors

The Company's Constitution states that one-third of directors excluding the Managing Director must retire each year. The maximum term that each director can serve in any single term is three years. A director appointed during the year must, under the Constitution, retire at the next annual general meeting. At that meeting, they can stand for re-election. The Board Nominations Committee conducts a peer review of those directors during the year in which that director will become eligible for re-election.

ASX Recommendation 2.4

(j) Board access to information and advice

All directors have unrestricted access to Company records and information and receive regular detailed financial and operational reports from executive management to enable them to carry out their duties. Each Director has the right, subject to prior consultation with the Chairman, to seek independent professional advice at the Company's expense if such advice is essential to the proper discharge of the Director's duties. The Chairman may notify other Directors of the approach with any resulting advice being made available to all other Board members.

To assist the Board in fulfilling its duties and responsibilities, it has established the following committees:

- Audit and Risk Committee;
- Board Nominations Committee; and
- Remuneration Committee.

ASX Recommendation 2.5, 2.6

3. Board Committees

a) Audit and Risk Committee

The Audit and Risk Committee is governed by its charter, as approved by the Board. The Audit and Risk Committee comprises two Directors, who are non-executive Directors. The non-executive Directors are Mr Gary Lewis and Mr Ian Mitchell, Chairman of the Audit Committee. The qualifications of the committee are located in the Directors Report. The Audit Committee's responsibilities include:

- Reviewing procedures, and monitoring and advising on the quality of financial reporting (including accounting policies and financial presentation);

3. Board Committees (Continued)

- Reviewing the proposed fees, scope, performance and outcome of external audits. However, the auditors are appointed by a general meeting of the Shareholders.
- Reviewing the procedures and practices that have been implemented by management regarding internal control systems;
- Ensuring that management have established and implemented a system for managing material financial and non-financial risks impacting the Company;
- Reviewing the corporate governance practices and policies of the Company; and
- Reviewing procedures and practices for protecting intellectual property (IP) and aligning IP to strategy.

The Committee complies with the requirement to have an independent chairperson, who is not the chairperson of the Board. Mr Mitchell is Chairman of the Committee. The Board does not comply with the ASX requirement to have at least 3 members on the Audit Committee. The Board believes that the experience that Mr Lewis and Mr Mitchell have in the finance industry adequately mitigates this non-compliance.

The number of times the Audit and Risk Committee has formally met and the number of meetings attended by directors during the financial year are reported in the Directors' Report. The Audit and Risk Committee monitors and reviews:

- The effectiveness and appropriateness of the framework used by the Company for managing operational risk;
- The adequacy of the Company's internal controls including information systems controls and security;
- The adequacy of the process for reporting and responding to significant control and regulatory breaches;
- The effectiveness of the compliance function in ensuring adherence to applicable laws and regulations, including the action of legal and regulatory developments which may have a significant impact;
- Operational risk issues;
- Action plans to address control improvement areas.

The Company's Auditor, is requested to attend the Annual General Meeting and to be available to answer shareholders questions about the conduct of the audit and the preparation and content of the Auditor's Report.

ASX Recommendations 4.1, 4.2, 4.3, 4.4

b) Board Nominations Committee

The Board Nominations Committee is governed by its charter, as approved by the Board. Mr Gary Lewis and Dr Geoff Cumming were the members of the Board Nominations Committee during the financial year and Dr Cumming is Chairman of the Committee. The primary function of the Nominations Committee is performing review procedures to assist the Board in fulfilling its oversight responsibility to shareholders by ensuring that the Board comprises individuals best able to discharge the responsibilities of directors having regard to the law and the highest standards of governance. The Committee as delegated by the Board is responsible for:

3. Board Committees (Continued)

- developing and reviewing policies on Board composition, strategic function and size;
- performance review process of the Board, its Committees and individual directors;
- developing and implementing induction programs for new directors and ongoing education for existing directors;
- developing eligibility criteria for nominating directors;
- recommending appointment of directors of the Board;
- reviewing director independence; and
- succession planning for the Board by considering a diverse range of candidates.

The number of times the Board Nominations Committee has formally met and the number of meetings attended by directors during the financial year are reported in the Directors' Report.

ASX Recommendations 2.4, 2.6

c) Remuneration Committee

The Remuneration Committee is governed by its charter, as approved by the Board. Mr Gary Lewis and Dr Geoff Cumming were the members of the Remuneration Committee during the financial year and Dr Cumming is Chairman of the Committee. The Remuneration Committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, senior executives and non-executive directors. Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights and responsibilities. Executive remuneration and other terms of employment are reviewed annually by the Committee having regard to personal and corporate performance contribution to long-term growth, relevant comparative information and independent expert advice. As well as base salary, remuneration packages may include superannuation and retirement and termination entitlements.

The Remuneration Report, which has been included in the Directors' Report, provides information on the Group's remuneration policies and payment details for Directors and Key Management Personnel.

The number of times the Board Nominations Committee has formally met and the number of meetings attended by directors during the financial year are reported in the Directors' Report.
ASX Recommendation 8.1

4. Recognising and managing risks

A range of factors and risks some of which are beyond the Company's control can influence performance. The Company has in place a range of procedures such as the Delegated Authority Matrix and Employee Handbook to identify, assess and control risks which are reviewed by the Audit and Risk Committee and also by the Board periodically.

4. Recognising and managing risks (Continued)

a) Board oversight of the risk management system

The Company recognises five main types of risk:

- Market risk, relates to the risk to earnings from changes in market conditions including economic activity, interest rates, foreign exchange, investor sentiment and world events.
- Operational risk, relates to inadequacy of or a failure of internal processes, people or systems or from external events.
- Credit risk, relates to the risk that the other party to a transaction will not honour their obligation; and
- Regulatory risk, relates to the risk that there may be changes to legislation (including but not limited to laws which relate to corporations and taxation) in the future which restricts or limits in some way the Company's activities and
- Financial risk, relates to the risk that there may be insufficient cashflow generated in order to meet financial obligations.

ASX recommendations 7.1, 7.4

The Board, based on the recommendations of the Chief Executive Officer and Chief Financial Officer, makes decisions on investments for the Company. The Board considers that the general retention by it of the power to make the final investment or divestment decision by majority vote provides an effective review of the investment strategy.

A majority of the Directors must approve any modification to the investment parameters applying to the Company's assets. Any proposed major change in investment strategy is first put to Shareholders for their approval.

The Board is also responsible for identifying and monitoring areas of significant business risk. Internal control measures currently adopted by the Board include:

- monthly reporting to the Board in respect of operations and the Company's financial position, with a comparison of actual results against budget; and
- regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.

b) Risk management roles and responsibilities

The Board is responsible for approving and reviewing the Company's risk management strategy and policy.

Executive management is responsible for implementing the Board approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of the Company's activities.

ASX Recommendation 7.2

4. Recognising and managing risks (Continued)

c) Chief Executive Officer and Chief Financial Officer Certification

The Chief Executive Officer and Chief Financial Officer provide to the Board written certification that in all material respects:

- The Company's financial statements present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- The statement given to the Board on the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and controls which implements the policies adopted by the Board; and
- The Company's risk management and internal controls are operating efficiently and effectively in all material respects.

ASX recommendations 7.3

d) Internal review and risk evaluation

Assurance is provided to the Board by senior management on the adequacy and effectiveness of management controls for risk.

5. Remuneration

a) Overview

The Remuneration Committee is responsible for reviewing the compensation arrangements for the Chief Executive Officer and other Key Management Personnel. The Remuneration Committee is also responsible for reviewing management incentive schemes, superannuation, retirement and termination entitlements, fringe benefits policies, and professional indemnity and liability insurance policies. The nature and amount of each element of the fee or salary of each director and each of the Company's officers and executives are set out in the Remuneration Report on pages 21 to 26. Non-executive Directors' fees and payments are reviewed annually by the Board. Executive Directors are, subject to the information above, paid in salary or fees.

ASX recommendations 8.1, 8.2, 8.3

b) Equity-based key management personnel remuneration

The Company is committed to the link between employee remuneration and their performance and will continue the practice in the next 12 months to ensure that our staff are rewarded for their output, increased employee motivation and become an employer of choice.

6. Timely and balanced disclosure

The Company believes that all shareholders should have equal and timely access to material information about the Company including its financial situation, performance, ownership and governance. The Company's market disclosure policy approved by the Board governs how the

Company communicates with shareholders and the market. Shareholders are encouraged to participate in general meetings.

a) Market disclosure policy and practices

This policy includes provision for communications by the Company to:

- Be factual and subject to internal vetting and authorisation before issue;
- Be made in a timely manner;
- Not omit material information;
- Be expressed in a clear and objective manner to allow investors to assess the impact of the information when making investment decisions; and
- Be in compliance with ASX Listing Rules continuous disclosure requirements.

The policy also contains guidelines on information that may be price sensitive. The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements with the ASX Listing Rules and overseeing and coordinating disclosure of information to the ASX.

ASX Recommendations 5.1, 5.2, 6.1, 6.2

b) Communication strategy

The Company publishes on its website the annual reports, profit announcements, press releases and notices to meeting to encourage shareholder and investor participation in Medical Australia. The Board has adopted a share trading policy and has ensured that all officers and employees are aware of the terms thereof.

ASX Recommendations 6.1, 6.2

7. Ethical and responsible decision-making

a) Code of Ethics and Conduct

The Board endeavours to ensure that the Directors, officers and employees of Medical Australia act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. All officers and employees are expected to:

- comply with the law;
- act in the best interests of the Company;
- be responsible and accountable for their actions; and
- observe the ethical principles of fairness, honesty and truthfulness, including prompt disclosure of potential conflicts.

ASX Recommendations 3.1, 3.2, 3.3

7. Ethical and responsible decision-making (Continued)

b) Policy concerning trading in Company securities

The Company has compliance standards and procedures which deal with staff trading in shares when they are in possession of inside information. Employees are made aware of the legal and ethical aspects associated with their private investment activities, especially as they relate to potential insider trading and front running. All staff must keep an up-to-date register of their securities holdings, including the dates of acquisition and disposal.

ASX Recommendation 3.2

c) Policy regarding gender diversity and proportion of women in the Company

The Company has established a Diversity Policy which includes the measureable objectives in achieving gender diversity. Some of them include:

- Work / Life Balance policy which will aid female participation through flexible working hours
- Hiring of staff who are competent in their role irrespective of their gender at both Management and Board level
- Policy of hiring females from a variety of backgrounds and it is expected that the current approach will continue for the immediate future

The Company currently has a 50% female participation. Given the size and nature of the Company the plan is to keep this balance for the immediate future.

ASX Recommendations 3.2, 3.3, 3.4

8. Remuneration Report and Nominations Policies

The responsibilities of the Remuneration & Nomination Committee include making recommendations to the Board regarding the remuneration of senior executives, executive directors and non-executive directors of the Company.

In accordance with the Constitution of Medical Australia, shareholders determine the aggregate annual remuneration of the Non-Executive Directors.

Non-Executive Directors are eligible to receive options over the Company's shares at the time of their retirement where it is considered an appropriate element of remuneration in situations when the Non-Executive Director's skills and experiences are recognised as important to the Company's future development. The terms of the options are set out in agreements between the Company and Non-Executive Directors and will vary depending on the age of the relevant Director at the time of retirement.

ASX Recommendations 8.2, 8.3

STATEMENT OF CORPORATE GOVERNANCE

Disclosure on Company Website

The following corporate governance policies can be found on the Company's website at www.medaust.com:

- Corporate Governance Policy
- Remuneration & Nomination Committee Charter
- Audit & Risk Committee Charter
- Code of Conduct
- Diversity Policy
- Share Trading Policy
- Continuous Disclosure Policy

STATEMENT OF CORPORATE GOVERNANCE

Checklist for summarising the best practice recommendations and compliance

ASX Principle	Reference	Compliance (Y / N)
Principle 1: Lay solid foundations for management and oversight		
1.1 Companies should establish the function reserved to the board and those delegated to senior executives and disclose those functions.	2b	Y
1.2 Companies should disclose the process for evaluating the performance of senior executives.	5a, 5b	Y
1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.	2a, 2b, 5a, 5b	Y
Principle 2: Structure the board to add value		
2.1 A majority of the board should be independent directors.	2.1 2a, 2d, 2h	Y
2.2 The chair should be an independent director.	2c	Y
2.3 The roles of chair and chief executive officer should not be exercised by the same individual.	2a, 2c	Y
2.4 The board should establish a nomination committee.	2h, 2i. 3b	Y
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	2g, 3c	Y
2.6 Companies should provide the information indicated in the Guide to reporting on this Principle 2.	2a, 2b, 2d, 2j, 3b	Y
Principle 3: Promote ethical and responsible decision-making		
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:	7a	Y
3.1.1 the practices necessary to maintain confidence in the company's integrity;		
3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and		
3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		
3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	7c	Y
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	7c	Y
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	7c	Y
3.5 Companies should provide the information indicated in the Guide to reporting on Principle 3	7a	Y

STATEMENT OF CORPORATE GOVERNANCE

Principle 4: Safeguard integrity in financial reporting		
4.1 The board should establish an audit committee.	3a	Y
4.2 The audit committee should be structured so that it:	3a	Y
4.2.1 consists only of non-executive directors;		
4.2.2 consists of a majority of independent directors;		
4.2.3 is chaired by an independent chair, who is not the chair of the board; and		
4.2.4 has at least three members		
4.3 The audit committee should have a formal charter.	3a	Y
4.4 Companies should provide the information indicated in the Guide to reporting on this Principle 4.	2a, 3a	Y
Principle 5: Make timely and balanced disclosure		
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	6a	Y
5.2 Companies should provide the information indicated in the Guide to reporting on this Principle 5.	6a	Y
Principle 6: Respect the rights of shareholders		
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encourage participation at general meetings and disclose their policy or a summary of that policy.	6a, 6b	Y
6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.	6a, 6b	Y
Principle 7: Recognise and manage risk		
7.1 Companies should establish policies for the oversight and management of material businesses risks and disclose a summary of those policies.	4a	Y
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of business risks.	4b	Y
7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to financial reporting risks.	4c	Y
7.4 Companies should provide the information in the Guide to reporting on this Principle 7	4a	Y

Principle 8: Remunerate fairly and responsibly		
8.1 The board should establish a remuneration committee	3c, 5a	Y
8.2 The remuneration committee should be structured so that it:	5a, 8	Y
8.2.1 consists of a majority of independent directors		
8.2.2 is chaired by an independent chair		
8.2.3 has at least three members		
8.3 Companies should clearly distinguish the structure of non-executive director's remuneration from that of executive directors and senior executives.	3c, 5a, 8	Y
8.4 Companies should provide the information indicated in the Guide to reporting on this Principle 8	5a	Y

DIRECTORS' REPORT

Your directors have pleasure in submitting their annual report together with the consolidated financial report of Medical Australia Limited (the Company), being the Company and its controlled entities, for the year ended 30 June 2013, 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:

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

Gary Lewis, Chairman

Gary Lewis holds both Bachelor of Commerce and a Masters of Business & Technology (MBT) degrees 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 publicly 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 and Reliance Resources Limited.

Mr Lewis had been a Director since 24 November 2006 and was appointed Managing Director on 1 March 2007. He resigned from Managing Director on 3 March 2010 and took-up a role as an Independent Non-Executive Director. He was appointed Chairman on 10 January 2012.

Ian Mitchell, Independent Non-Executive Director and Company Secretary
Ian Mitchell is a practising solicitor of over thirty five years standing. He has been a Director and Company Secretary of a number of publicly listed Mining and Industrial companies and his legal expertise is in commercial, contractual ASIC and ASX compliance work. His academic qualifications are BA, Dip Law (Sydney).

Mr Mitchell was appointed Company Secretary on 16 October 2008 and has been a Director since 6 November 2008.

Mark Donnison, Managing Director

Mark Donnison has over 20 years of experience in the UK and Australian pharmaceutical industries, and has a successful pedigree in the areas of sales, marketing, business development and business administration. He was previously the company's General Manager of Sales and Marketing. Prior to joining Medical Australia, Mr Donnison held the position of Director, National Pharmacy Business for Alphapharm. Alphapharm is Australia's largest prescription medicine supplier to the Pharmaceutical Benefits Scheme and a subsidiary of the American based Mylan Pharmaceuticals.

Mr Donnison was appointed CEO on 12 October 2009 and has been a Director since 30 June 2011.

Dr Geoff Cumming, Independent Non-Executive Director

Dr Geoffrey Cumming has significant healthcare industry experience and holds a Bachelor of Science degree from Swinbourne and Monash University, an MBA from Macquarie University and a PhD from Monash University. He has worked in the biotechnology, medical and healthcare markets for over 30 years and has extensive M&A, government and healthcare regulatory experience. Dr Cumming worked as Managing Director, Oceania for Roche Diagnostic Systems and is currently Chairman of Sienna Cancer Diagnostics and a Director of Anteo Diagnostics Limited.

Dr Cumming has been a Director since 23 January 2009.

Directors' Interests

Directors' direct beneficial shareholdings as at year end were:

Specified directors	Held at 1 July 2012	Purchases	Sales	Held at 30 June 2013
Gary Lewis	5,436,009	1,418,753	-	6,854,762
Ian Mitchell	5,432,757	-	-	5,432,757
Mark Donnison	19,539,450	2,854,220	-	22,393,670
Dr Geoff Cumming	400,000	-	-	400,000

Directors' indirect beneficial shareholdings as at year end were:

Specified directors	Held at 1 July 2012	Purchases	Sales	Held at 30 June 2013
Gary Lewis	13,385,238	-	-	13,385,238
Ian Mitchell	-	-	-	-
Mark Donnison	-	-	-	-
Dr Geoff Cumming	-	-	-	-

Directors' Meetings

The directors' have attended the following meetings during the year:

- Audit and Risk Committee
- Nominations Committee
- Remuneration Committee

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 were as follows:

	Directors Meetings		Audit and Risk Committee Meetings		Nominations Committee Meetings		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Gary Lewis	11	11	-	-	-	-	-	-
Ian Mitchell	11	11	2	2	-	-	-	-
Mark Donnison	11	11	-	-	-	-	-	-
Dr Geoff Cumming	11	10	2	2	-	-	-	-

DIRECTORS' REPORT

Principal Activities

The principal activities of the Group during the course of the financial year were 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 $1,316,146 (2012: loss of $668,924).

Dividends

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

Significant Changes in State of Affairs

In the opinion of the directors, the only significant changes in the state of affairs of the Group that occurred during the year ended 30 June 2013 was:

- Agreement was reached for the acquisition of Medivet Pty Ltd by both parties.

Review of Operations

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

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

The lead auditor's independence declaration is set out on page 27 and forms part of the directors' report for the year ended 30 June 2013. During the year ended 30 June 2013, the lead auditor did not perform any non-audit services for the company.

Events Subsequent to Balance Date

The following events occurred subsequent to 30 June 2013:

(a) The consolidation of securities of every ten fully paid ordinary shares and options into one fully paid ordinary share and option was completed on 15th August 2013.

(b) An extension of the repayment to December 2013 of the outstanding Pacific Device loan was agreed.

(c) Short term loans from Medivet Pty Ltd ($150,000) and a major shareholder ($100,000), if required, have been arranged pending completion of a proposed capital raising in December.

(d) A trade finance facility of $250,000 and an increase in the debtor finance facility of $150,000 has been arranged with Moneytech Finance Pty Ltd.

(e) A revised agreement for the acquisition of MediVet, encompassing essentially a share only offer that will be subject to future MLA shareholders' approval was reached on the 24 September 2013.

No other matter or event occurred subsequent to balance date to the date of this report that might affect 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 the 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.

Environmental Regulations
The Company has complied with its environmental obligations. No environmental breaches have been notified by any Government agency to the date of the Directors' Report and it does not anticipate any obstacles in complying with the legislation.

Indemnification of Officer or Auditor
Indemnities have been given or insurance premiums paid amounting to $14,890 relating to directors and officers insurance. No indemnifications have been provided in relation to the external auditor.

Proceedings on Behalf of the Company
No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

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 director who, in turn, evaluates 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. The remuneration of the Key Management Personnel was linked to the Group's increase in revenue and individual key performance indicators during the year.

Remuneration comprises salary, bonus, statutory superannuation and options. The remuneration disclosed below represents the cost to the Company for the services provided under these arrangements.

Employees are eligible to participate in a bonus scheme, which pays bonuses based on a combination of discretionary bonuses and achievement of Key Performance Indicators.

Bonus percentages are variable and percentages shown in the remuneration table represent percentage for cash bonuses entitled to be paid for the year ended 30 June 2013 if performance targets are met.

The employment terms and conditions of other key management personnel and Group executives are formalised in contracts of employment. Terms of employment require that either party must give a minimum of one month and maximum of three months' notice prior to termination of the contract.

The following table provides employment details of persons who were, during the financial year, members of the key management personnel of the consolidated group. This group includes the five executives receiving the highest remuneration.

Employment details of Key Management Personnel

Name	Title	Commencement date	Termination Provisions (Months)	% fixed remuneration
Mark Donnison	Managing Director & CEO	12 Oct 09	3	85%
Suraj Sethuram	GM, Finance & Administration	6 Jun 11	3	95%
Michael Jones	GM, Corporate Innovations	1 Mar 08	1	98%
David Thomson*	GM, QA/RA	22 Jul 08	1	97%
Ian McKenzie	GM, Sales & Marketing	1 May 08	1	97%
Atul Narayan**	Supply Chain Manager	20 Jun 11	1	100%

*David Thomson left the business on 30th May 2013.
**Atul Narayan left the business on 5th April 2013.

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

2013	Short term Salary, bonus, fees and leave	Non monetary	Other	Post-employment SGC benefits	Share based payment expense	Total	% of remuneration that is performance based
	$	$	$	$	$	$	%
Directors							
Gary Lewis	54,996	-	-	-	-	54,996	-
Dr Geoff Cumming	36,000	-	-	3,240	-	39,240	-
Mark Donnison	269,749	-	26,950	24,277		320,976	15%
Ian Mitchell	44,000	-	-	-	-	44,000	-
Total all Directors	404,745	-	26,950	27,517	-	459,212	-

2012	Short term Salary, bonus, fees and leave	Non monetary	Other	Post-employment SGC benefits	Share based payment expense	Total	% of remuneration that is performance based
	$	$	$	$	$	$	%
Directors							
Thomas Hartigan	20,833	-	-	1,875	-	22,708	-
Gary Lewis	27,500	-	-	-	-	27,500	-
Dr Geoff Cumming	36,000	-	-	3,240	-	39,240	-
Mark Donnison	269,750	-	26,950	24,277	10,250	331,227	15%
Ian Mitchell	44,000	-	-	-	-	44,000	-
Total all Directors	398,083	-	26,950	29,392	10,250	464,675	-

2013	Short term Salary, bonus, fees and leave	Non monetary	Other	Post-employment SGC benefits	Share based payment expense	Total	% of remuneration that is performance based
	$	$	$	$	$	$	%
Key Management Personnel							
Suraj Sethuram	150,000	-	18,000	13,500	-	181,500	5%
Michael Jones	181,896	-	-	16,370	-	198,266	2%
David Thomson*	101,481	-	-	11,517	-	112,998	3%
Ian McKenzie	150,000	-	17,500	13,500	-	181,000	3%
Atul Narayan**	107,473	-	-	9,412	-	116,885	-
Total Key Management	690,850	-	35,500	64,299	-	790,649	-

2012	Short term Salary, bonus, fees and leave	Non monetary	Other	Post-employment SGC benefits	Share based payment expense	Total	% of remuneration that is performance based
	$	$	$	$	$	$	%
Key Management Personnel							
Suraj Sethuram	150,576	-	18,000	13,552	-	182,128	5%
Michael Jones	187,815	-	-	16,903	6,000	210,718	2%
David Thomson*	116,987	-	-	12,682	4,800	134,469	3%
Ian McKenzie	136,000	-	17,500	12,240	-	165,740	3%
Atul Narayan**	125,654	-	-	11,309	-	136,963	-
Total Key Management Personnel	717,032	-	35,500	66,686	10,800	830,018	-

*David Thomson left the business on 30th May 2013.
**Atul Narayan left the business on 5th April 2013.

Options granted to directors and senior management as compensation

An employee share option plan has been established where the Company may issue shares and options under the Employee Share and Option Plan to selected employees (including directors – subject to ASX listing rules). The options are issued for nil consideration and are granted at the discretion of the Directors. The options cannot be transferred, are not quoted on the ASX and carry no dividend and voting rights.

Details of options that were granted as compensation to each director and key management person as at 30 June 2013:

Director	Grant Date	Number of options granted	Fair value at grant date $	Fair value per option $	Option Terms (Exercise Price and Term)
Gary Lewis	17 September 2009	1,000,000	30,000	0.008	$0.08 30 June 2014
Ian Mitchell	17 September 2009	500,000	15,000	0.008	$0.08 30 June 2014
Geoff Cumming	17 September 2009	500,000	15,000	0.008	$0.08 30 June 2014
Mark Donnison	1 February 2011	2,500,000	47,500	0.019	$0.05 14 July 2014
Mark Donnison	9 November 2011	2,500,000	10,250	0.004	$0.05 14 July 2014

Key Management Personnel	Grant Date	Number of options granted	Fair value at grant date $	Fair value per option $	Option Terms (Exercise Price and Term)
Michael Jones	1 February 2011	1,250,000	23,750	0.019	$0.05 14 July 2014
Michael Jones	14 September 2011	1,250,000	6,000	0.004	$0.05 3 September 2014

The number of options that had vested as at 30 June 2013 is 9,500,000.

The fair value of the options at grant date was determined based on the binomial option pricing model (lattice-based approach). The model inputs of the options issued were the Company's share price at the grant date, a risk free interest rate of 5% and an expected share price volatility factor of 70% over the life of the options based on the historical volatility of comparable listed Australian small-cap and micro-cap medical device companies.

There have been no alterations to the terms or conditions of any options since the grant date.

Non-executive Directors
Total compensation for all non-executive directors is determined by the board based on market conditions. Director's fees were paid to all independent directors as per the table provided earlier in the Directors' Report.

Options

Details of unissued shares under option as at 30 June 2013 were:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Medical Australia Limited	2,000,000	Ordinary	$0.08	30 June 2014
Medical Australia Limited	6,250,000	Ordinary	$0.05	14 July 2014
Medical Australia Limited	1,250,000	Ordinary	$0.05	3 September 2014

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

The consolidation of securities of every ten share options into one share option as announced in June 2013 was completed on 15th August 2013.

Signed at Sydney this 30th day of September 2013
In accordance with a resolution of the Board of Directors:

Gary Lewis
Chairman

GouldRalph
ASSURANCE

Chartered Accountants
ABN 74 632 161 298
Level 42, Suncorp Place
259 George Street
Sydney NSW 2000
Australia
T: +61 2 9032 3000
F: +61 2 9032 3088
E: mail@gouldralph.com.au
W: www.gouldralph.com.au

30 September 2013

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

Dear Members of the Board

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

As lead audit partner for the audit of Medical Australia Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Medical Australia Limited and any entities it controlled during the year.

Yours faithfully

GOULD RALPH ASSURANCE
Chartered Accountants

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

MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2013

	Notes	Consolidated 2013 $	2012 $
Sale of goods		9,152,303	9,211,228
Cost of goods sold		(4,312,988)	(4,086,706)
Gross profit		4,839,315	5,124,522
Expenses:			
Administration and consultants	2	(971,803)	(878,326)
Advertising and marketing		(27,146)	(73,512)
Depreciation and amortisation		(220,797)	(273,471)
Employee benefits expenses	2	(3,086,810)	(3,209,357)
Impairment write down	10	(301,151)	-
Occupancy costs		(469,029)	(437,868)
Other		(535,522)	(464,857)
Travel and accommodation		(446,350)	(449,392)
Loss before interest and income tax		(1,219,293)	(662,261)
Financial income		5,589	27,146
Financial expense		(163,349)	(156,526)
Net financing loss		(157,760)	(129,380)
Loss before income tax		(1,377,053)	(791,641)
Income tax benefit	3	60,907	122,717
Loss for the year after income tax		(1,316,146)	(668,924)
Other comprehensive income after income tax			
Exchange differences on translating foreign controlled entity		(32,760)	2,561
Total comprehensive loss for the year		(1,348,906)	(666,363)
Basic loss per share attributable to ordinary shareholders (cents per share)	4	(0.29) cents	(0.15) cents
Diluted loss per share attributable to ordinary shareholders (cents per share)	4	(0.29) cents	(0.15) cents

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2013

	Notes	Consolidated 2013 $	2012 $
CURRENT ASSETS			
Cash and cash equivalents	5	129,134	578,221
Trade and other receivables	6	869,918	920,925
Inventories	7	985,373	1,258,769
Current tax receivables		90,000	122,717
Other assets	8	248,911	42,222
TOTAL CURRENT ASSETS		2,323,336	2,922,854
NON-CURRENT ASSETS			
Plant and equipment	9	194,093	297,700
Intangible assets	10	3,987,645	4,333,694
TOTAL NON-CURRENT ASSETS		4,181,738	4,631,394
TOTAL ASSETS		6,505,074	7,554,248
CURRENT LIABILITIES			
Trade and other payables	11	1,230,546	1,280,074
Interest bearing liabilities	12	1,350,070	550,854
Provisions	13	296,772	317,772
TOTAL CURRENT LIABILITIES		2,877,388	2,148,700
NON-CURRENT LIABILITIES			
Interest bearing liabilities	12	-	434,826
Provisions	13	20,431	14,561
TOTAL NON-CURRENT LIABILITIES		20,431	449,387
TOTAL LIABILITIES		2,897,819	2,598,087
NET ASSETS		3,607,255	4,956,161
EQUITY			
Issued capital	14	18,476,311	18,476,311
Equity remuneration reserve	15	131,410	131,410
Foreign currency translation reserve		(30,199)	2,561
Accumulated losses	16	(14,970,267)	(13,654,121)
TOTAL EQUITY		3,607,255	4,956,161

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

MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

	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 year	-	-	-	(668,924)	(668,924)
Other comprehensive income	-	-	2,561	-	2,561
Total comprehensive loss	-	-	2,561	(668,924)	(666,363)
Cost of share based payments	-	21,052	-	-	21,052
Equity contributions	1,226,467	-	-	-	1,226,467
Balance at 30 June 2012	18,476,311	131,410	2,561	(13,654,121)	4,956,161
Loss for the year	-	-	-	(1,316,146)	(1,316,146)
Other comprehensive income	-	-	(32,760)	-	(32,760)
Total comprehensive loss	-	-	(32,760)	(1,316,146)	(1,348,906)
Balance at 30 June 2013	18,476,311	131,410	(30,199)	(14,970,267)	3,607,255

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2013

	Notes	Consolidated 2013 $	Consolidated 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		9,387,806	9,464,814
Paid to suppliers and employees		(10,076,816)	(10,077,939)
Cash used by operations		(689,010)	(613,125)
Interest paid		(155,785)	(138,845)
Interest received		6,081	27,756
R&D tax refund		93,624	-
Net cash used in operating activities	20	(745,090)	(724,214)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(67,674)	(177,863)
Net cash used in investing activities		(67,674)	(177,863)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	958,734
Proceeds from borrowings		931,456	-
Repayment of borrowings		(567,574)	(306,733)
Net cash provided by financing activities		363,882	652,001
Net decrease in cash and cash equivalents		(448,882)	(250,076)
Effect of exchange rate on cash holdings in foreign currency		(205)	-
Cash and cash equivalents at the beginning of the year	5	578,221	828,297
Cash and cash equivalents at the end of the year	5	129,134	578,221

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

Note 1 – Basis of Presentation

The financial statements are general purpose financial statements, which have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. The annual report was authorised for issue by the board of directors on 30 September 2013.

The consolidated financial statements cover the economic entity of Medical Australia Limited and its controlled entities (the "Group"). The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The separate financial statements of the parent entity, Medical Australia Limited, have not been presented within this financial report as permitted by Corporations Act 2001.
Medical Australia Limited is a listed public company, incorporated and domiciled in Australia.

The financial statements of the economic entity comply with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Going concern

The financial statements have 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 trading loss of $1,316,146 and had net cash outflow from operations of $745,090 for the year ended 30 June 2013. At that date accumulated losses amounted to $14,970,267 and current liabilities exceeded current assets by $554,052.

These conditions give rise to a material uncertainty that may cast significant doubt upon the ability of the Group to continue as a going concern and its ability to realise its assets and extinguish its liabilities in the ordinary course of business.

The Directors have plans in place such as the acquisition of MediVet and a capital raising which if successful in their execution, should see the Group continue to meet its debts as and when they become due and payable. The ongoing operation is dependent on the Group deriving positive cashflows from operations; receiving short term funding from certain shareholders and continued support from its external financiers; a realisation of the Clements assets and further capital raising in the short term.

Management has prepared a cash flow forecast for the 15 months ending September 2014 that supports the ability of the economic entity to continue as a going concern. The cash flow forecast assumes a 12% increase in sales, the extension of the debtor financing facility together with a capital raising of $3 million during the next quarter. Additionally, Directors have arranged further short term funding from a major shareholder and associates of $250,000 should this be required. The Directors are presently satisfied that the cash flow forecast and capital raising will be achieved and consequently believe the preparation of these financial statements on a going concern basis is appropriate.

In the event that the consolidated entity does not achieve the above, it may not be able to continue operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements.

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 consolidated entity not continue as a going concern.

Basis of measurement
The consolidated financial statements have been prepared on an accrual basis and are based on historical cost, except where stated at fair value.

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.

Key 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 year in which the estimate is revised and in any future years 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 9 – Plant and equipment
- Note 10 – Intangible Assets
- Note 13 - Provisions

New Accounting Standards for application in future periods
The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adapt any of the new and amended pronouncements. The Group's assessment of the new and amended

pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The Group does not expect significant impact from the adoption of this standard.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Group has not yet decided when to adopt AASB 9.

AASB 10: Consolidated Financial Statement, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011) and AASB 128: Investments in Associates and Joint Ventures (August 2011) (as amended by AASB 2012-10: Amendments to Australian Accounting Standards – Transition Guidance and other Amendments), and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of "control" and additional application guidance so that a single control model will apply to all investees. This Standard is not expected to significantly impact the Group's financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). This Standard is not expected to significantly impact the Group's financial statements.

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associates. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group's financial statements.

To facilitate the application of AASB 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. The revisions made to AASB 127 and AASB 128 are not expected to significantly impact the Group's financial statements.

AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosure about fair value measurement.

AASB 13 requires:
- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are expected to result in more detailed fair value disclosures, but are not expected to significantly impact the amounts recognised in the Group's financial statements.

AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to the presentation and disclosure of defined benefit plans, including:
- removal of the "corridor" approach from AASB 119, thereby requiring entities to recognise all changes in a net defined benefit liability/(asset) into service cost, net interest expense and remeasurements and recognition of:
  (i) service cost and net interest expense in profit or loss; and
  (ii) remeasurements in other comprehensive income.

AASB 119 (September 2011) also includes changes to the criteria for determining when termination benefits should be recognised as an obligation.

This Standard is not expected to significantly impact the Group's financial statements.

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. A list of controlled entities is contained in Note 17 to the financial statements.

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

Transactions eliminated on consolidation

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with the maturity of 3 months or less at the end of current financial year.

Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

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, such as freight.

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

Plant and equipment

Recognition and measurement

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

In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

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. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

- Office Equipment is depreciated at rates between 10% and 33% 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 10% and 30% per annum using the diminishing value method.
- Warehouse Equipment is depreciated at 33% per annum using the diminishing value method.
- Lab Equipment is depreciated at 40% per annum using the diminishing value method.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item. These gains and losses are recognised in the profit and loss in the period in which they arise. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to accumulated losses.

Intangible assets

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and is allocated to the Group's cash generating units or groups of cash generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

Product Development Costs
Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

Financial Instruments
Initial recognition and measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit and loss", in which case transaction costs are expensed to profit and loss immediately.

Classification and subsequent measurement
Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Financial liabilities
Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost.

Impairment
At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. For financial assets carried at amortised cost, a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

Derecognition
Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Impairment
At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. An impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Trade and other payables
Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period.

Trade and other payables are stated at their amortised cost and are non-interest bearing.

Provisions
A provision is recognised in the Statement of Financial Position 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
The income tax expense/(benefit) for the year comprises current income tax expense/(benefit) and deferred tax expense/(benefit).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(benefit) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Investment allowances and similar tax incentives
Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (eg. The Research and Development Tax Incentive regime in Australia or other investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

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 Medical Australia Limited.

Current tax expense/benefit, 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 as head entity 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.

Indirect taxes

Revenue, expenses and assets are recognised net of the amount of goods and services tax ('GST') and value added tax (VAT), except where the amount of GST and VAT incurred is not recoverable from the taxation authority. In these circumstances, the GST and VAT 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 and VAT included. The net amount of GST and VAT recoverable from, or payable to, the taxation authority is included as a current asset or liability in the statement of financial position.

Cash flows are presented on a gross basis. The GST and VAT components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flows included in receipts from customers or payments to suppliers.

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. Operating segments are reported in a manner consistent with internal reporting provided to the board and management.

Revenue recognition

Sale of goods

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 goods, and the amount of revenue can be measured reliably. This generally occurs upon shipment.

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

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

All revenue is stated net of the amount of goods and services tax.

Employee benefits
Wages, salaries, annual leave, long service leave, sick leave and non-monetary benefits
Employee benefit provisions 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 the reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at the reporting date including related on-costs, such as workers compensation insurance, payroll tax and superannuation. Long service leave is provided for after 5 years of service, adjusted by a discount factor and a probability factor (including on-costs).

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.

Foreign Currency Transactions and balances
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 translated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is recognised in the profit and loss, except where deferred in equity as a qualifying cash flow or net investment hedge. Non-monetary items are measured at historical cost and continue to be carried at the exchange rate at the date of the transaction. Non- monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in the profit or loss.

On consolidation, the assets and liabilities of foreign operations are translated into Australian Dollars at the rate of exchange prevailing at the reporting date and their Statement of Comprehensive Income are translated at average exchange rates. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of comprehensive income.

Issued 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

Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting period. The corresponding amount is recorded to the equity remuneration reserve. The fair value of options is determined using the Black Scholes model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NOTE 2 – LOSS FROM OPERATING ACTIVITIES

	Consolidated 2013 $	Consolidated 2012 $
The following expense items are relevant in explaining the financial performance for the year:		
Administration and consultants expenses:		
- General and administrative	388,392	378,225
- Legal fees	6,627	204,452
- Consultancy fees	292,377	295,649
- Due diligence costs	137,304	-
- Capital raising costs	147,103	-
	971,803	878,326
Employee benefits expenses:		
- Wages and Salaries	3,086,810	3,188,305
- Share-based payment	-	21,052
	3,086,810	3,209,357
Impairment write down	301,151	-
Foreign exchange gain	(36,665)	(62,237)
Rental expenses	418,514	352,405

At 30 June 2013, the Group had 27 employees (2012: 33).

NOTE 3 – INCOME TAX BENEFIT

	Consolidated 2013 $	2012 $
Numerical reconciliation between income tax benefit and pre-tax net loss		
Loss before tax – continuing operations	(1,377,053)	(791,641)
Income tax benefit using the domestic corporation tax rate of 30%	413,116	237,492
Increase / (decrease) in income tax expense due to:		
- Non-deductible expenses	(85,291)	(88,155)
- Non-deductible impairment write down	(90,345)	-
- Difference in international tax rates	(15,795)	(9,632)
- Effect of tax losses not brought to account	(221,685)	(139,705)
- Adjustment to prior year	(29,093)	-
- Research and development tax offset	90,000	122,717
Income tax benefit	60,907	122,717

Deferred Tax Assets not brought to account

The Directors estimate that at 30 June 2013 the amount of deferred tax assets not brought to account in respect of unused revenue tax losses was $3,360,292 (2012: $3,100,306), in respect of unused capital tax losses was $21,780 (2012: $21,780) and in respect of temporary differences was $68,790 (2012: $77,257). The income tax return for FY13 has not been lodged as at the date of this report.

The benefit of these temporary differences and tax losses will only be obtained if:

I. The consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
II. The consolidated entity continues to comply with the conditions for deductibility imposed by the tax legislation; and
III. No changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

NOTE 4 – LOSS PER SHARE

	Consolidated 2013	2012
	$	$
Loss after income tax used to calculate basic and dilutive EPS	(1,316,146)	(668,924)
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and dilutive EPS	453,925,832	450,033,049

NOTE 5 – CASH AND CASH EQUIVALENTS

Cash at bank and on hand	20,134	469,221
Term deposits	109,000	109,000
	129,134	578,221

Term deposits are security for bank guarantee for the office leases. The interest rate on term deposits was 4.15% matured in August 2013 (2012: 5.5%).

Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:

Cash and cash equivalents	129,134	578,221
	129,134	578,221

NOTE 6 – TRADE AND OTHER RECEIVABLES

Current		
Trade debtors	869,918	920,925
	869,918	920,925

Trade debtors are based on normal terms of trade, typically 30 days from end of month.

NOTE 7 – INVENTORIES

Current		
Finished goods	1,046,798	1,264,796
Impairment	(61,425)	(6,027)
	985,373	1,258,769

	Consolidated	
NOTE 8 – OTHER ASSETS	**2013**	**2012**
	$	**$**
Current		
Deposits	104,818	-
Prepaid expenses	30,673	38,802
Other	113,420	3,420
	248,911	42,222

	2013	2012
NOTE 9 – PLANT AND EQUIPMENT		
Plant and equipment	567,190	492,258
Accumulated depreciation	(423,352)	(285,778)
	143,838	206,480
Furniture and fixtures	40,810	39,327
Accumulated depreciation	(19,788)	(14,630)
	21,022	24,697
Office equipment	326,168	326,168
Accumulated depreciation	(309,530)	(280,637)
	16,638	45,531
Leasehold Improvements	61,155	61,155
Accumulated depreciation	(48,560)	(40,163)
	12,595	20,992
Total plant and equipment	194,093	297,700
Movement in carrying amounts are as follows:		
Plant and equipment		
Carrying amount at beginning of year	206,480	163,934
Additions	66,190	164,077
Effective movement in exchange rates	4,619	-
Depreciation	(133,451)	(121,531)
Carrying amount at year-end	143,838	206,480
Furniture and fittings		
Carrying amount at beginning of year	24,697	29,565
Additions	1,484	1,043
Depreciation	(5,159)	(5,911)
Carrying amount at year-end	21,022	24,697

NOTE 9 – PLANT AND EQUIPMENT (Cont'd)

	Consolidated 2013	2012
	$	$
Office equipment		
Carrying amount at beginning of year	45,531	111,071
Additions	-	20,945
Depreciation	(28,893)	(86,485)
Carrying amount at year-end	16,638	45,531
Leasehold Improvements		
Carrying amount at beginning of year	20,992	35,516
Depreciation	(8,397)	(14,524)
Carrying amount at year-end	12,595	20,992
Total		
Carrying amount at beginning of year	297,700	340,086
Additions	67,674	185,065
Effective movement in exchange rates	4,619	-
Depreciation	(175,900)	(228,451)
Carrying amount at year-end	194,093	297,700

During the year ended 30 June 2013, no impairment write down was considered necessary.

NOTE 10 – INTANGIBLE ASSETS

	Consolidated 2013 $	2012 $
Goodwill – TUTA Healthcare	3,409,564	3,409,564
Goodwill on acquisition – Clements	400,000	701,151
	3,809,564	4,110,715
Product Development Costs – Gross	359,179	359,179
Less: Accumulated amortisation	(181,098)	(136,200)
Product Development Costs – Net	178,081	222,979
	3,987,645	4,333,694

Goodwill

An impairment test for goodwill has been separately performed for the Tuta and Clements businesses as at 30 June 2013. The recoverable amount of cash generating unit is determined on a discounted value using cash flow projections covering a five year period with terminal value based on financial budgets approved by the board.

The assumptions used in the impairment model are as follows:

Drivers	Tuta	Clements
Revenue growth rate	2014: 5.5% 2015-2016: 6.5% 2017-2018: 6%	2014: (37%) 2015-2018: 4%
Cost of Goods Sold (% of Revenue) in base year	2014: 45%	2014: 65%
Cost of Goods Sold growth rate	2015-2018: 6.5%	2015-2018: 4%
Operating Costs growth rate	2014: (18%) 2015-2018: 3%	2014: (39%) 2015-2018: 3%

The cash flows were discounted using a yield of 15%. The discount rate reflects management's estimate of the time value of money and the risks specific to the cash generating unit.

The fair value of Tuta goodwill is highly sensitive to the change on estimates. Increases or decrease in the assumptions above will result in significant impairment write-down in the Tuta business. A summary of the sensitivities is provided below with its associated impact:

Sensitivity on Tuta CGU	Impact
Reduction in revenue growth rate by 0.5% in 2014-2018	No impairment write-down
Reduction in revenue growth rate by 1% in 2014-2018	Impairment write-down of $576k
Increase in Cost of Goods Sold by 1% in 2014-2018	Impairment write-down of $571k
Increase in operating expense growth rate by 2% in 2015-2018	Impairment write-down of $1m

The directors believe that there is no impairment loss to be recognised on the Tuta business as at 30 June 2013.

NOTE 10 – INTANGIBLE ASSETS (Cont'd)

An impairment write-down of $301,151 was recognised for Clements in the financial statements. The remaining $400,000 is the estimated fair value of the Clements goodwill.

Product Development Costs
The Group has adopted a policy of capitalising product development costs related to specific projects, in accordance with AASB 138. These are amortised on a straight line basis over the useful life of the product. As at 30 June 2013, specific product development costs capitalised as intangible assets have a carrying value of $178,081 (2012: $222,979).

	Consolidated	
	2013	2012
NOTE 11 – TRADE AND OTHER PAYABLES	$	$
Current		
Trade creditors	1,035,013	1,145,471
Payroll liabilities	21,179	21,051
Accruals	174,354	113,552
	1,230,546	1,280,074

NOTE 12 – INTEREST BEARING LIABILITIES		
Current		
Bank loan - secured (i)	-	276,000
Loans (ii)	418,614	274,854
Debtor finance facility (iii)	931,456	-
Total	1,350,070	550,854
Non-current		
Loans (ii)	-	434,826

(i) On 12 November 2010, the Company entered into a loan facility with the NAB for $500,000 maturing on 31 December 2013 with variable interest rate. The loan has been fully repaid on 8 November 2012 using the proceeds from the debtor finance facility.

(ii) On 3 August 2010, the Company entered into a loan agreement of $1,000,000 with Pacific Device Pty Ltd, which matured on 1 August 2013. The Company currently repays $30,000 in principal and interest, at a fixed interest rate, on a monthly basis with the balance of the loan to be repaid at the maturity. Agreement has been reached with Pacific Device that the remaining balance will be payable by December 2013.

(iii) During November 2012, the Company implemented a debtor financing facility with Moneytech Finance Pty Ltd which is secured by charge over the Company and all controlled and associated entities. The facility expires in November 2013, subject to renewal. The limit on the finance facility is $1,000,000 with fixed interest rate.

	Consolidated	
	2013	2012
NOTE 13 – PROVISIONS	$	$
Current		
Provision for employee annual leave and long service leave entitlements	296,772	317,772
Non-current		
Provision for employee long service leave entitlements	20,431	14,561

(a) Movements in provisions

Movements in provisions for the financial year are as follows:

Annual Leave	
Carrying amount at beginning of year	254,106
Increases to provision	185,975
Amount utilised	(210,462)
As at 30 June 2013	229,619
Long Service Leave	
Carrying amount at beginning of year	78,227
Increases to provision	9,357
As at 30 June 2013	87,584
Current	67,153
Non-current	20,431
	87,584

Non-current provision for employee benefits have been measured at the present value of the estimated future cash outflows to be made for those benefits based on expected probabilities of employees remaining employed until the leave vests.

NOTE 14 – ISSUED CAPITAL

	2013 No.	2013 $	2012 No.	2012 $
Fully paid ordinary shares				
Balance at the beginning of the year	453,925,832	18,476,311	392,564,953	17,249,844
Options exercised in July 2011 at $0.02 per share	-	-	47,239,181	944,784
Options exercised in August 2011 at $0.02 per share	-	-	3,000,000	60,000
Options underwritten in August 2011 at $0.02 per share	-	-	10,871,698	217,433
Shares issued to employees on 30 April 2012 at $0.017 per share	-	-	250,000	4,250
Balance at the end of the year	453,925,832	18,476,311	453,925,832	18,476,311

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.

NOTE 15 – EQUITY REMUNERATION RESERVE

	Consolidated 2013 $	Consolidated 2012 $
Opening balance	131,410	110,358
Share based payment expenses	-	21,052
Closing balance	131,410	131,410

Details of the options which existed as at 30 June 2013 are:

Grant date	Expiry date	Exercise price	Balance at 1 July 2012	Granted during the year	Exercised during the year	Forfeited during the year	Balance at 30 June 2013	Vested and exercisable at end of the year
		$	Number	Number	Number	Number	Number	Number
17-Sep-09	30-Jun-14	0.08	3,000,000	-	-	1,000,000	2,000,000	2,000,000
1-Feb-11	14-Jul-14	0.05	6,000,000	-	-	2,250,000	3,750,000	3,750,000
14-Sep-11	3-Sep-14	0.05	2,250,000	-	-	1,000,000	1,250,000	1,250,000
9-Nov-11	14-Jul-14	0.05	2,500,000	-	-	-	2,500,000	2,500,000
			13,750,000	-	-	**4,250,000**	**9,500,000**	**9,500,000**
Weighted average exercise price			$0.05	-	-	$0.05	$0.06	$0.06

Grant date	Expiry date	Exercise price	Balance at 1 July 2011	Granted during the year	Exercised during the year	Forfeited during the year	Balance at 30 June 2012	Vested and exercisable at end of the year
		$	Number	Number	Number	Number	Number	Number
17-Sep-09	30-Jun-14	0.08	3,000,000	-	-	-	3,000,000	3,000,000
1-Feb-11	14-Jul-14	0.05	6,000,000	-	-	-	6,000,000	6,000,000
14-Sep-11	3-Sep-14	0.05	-	2,250,000	-	-	2,250,000	2,250,000
9-Nov-11	14-Jul-14	0.05	-	2,500,000	-	-	2,500,000	2,500,000
			9,000,000	**4,750,000**	-	-	**13,750,000**	**13,750,000**
Weighted average exercise price			$0.06	$0.05	-	-	$0.05	$0.05

The fair value of the options at grant date was determined based on the binomial option pricing model (lattice-based approach). The model inputs of the options issued were the Company's share price of $0.02 at the grant date, a risk free interest rate of 5% and an expected share price volatility factor of 70% over the life of the options based on the historical volatility of comparable listed Australian small-cap and micro-cap medical device companies. The issue of Company options results in a credit to the equity remuneration reserve for the fair value of the options issued.

NOTE 16 - ACCUMULATED LOSSES

	Consolidated 2013 $	2012 $
Accumulated losses at the beginning of the year	(13,654,121)	(12,985,197)
Net loss attributable to members of the parent entity	(1,316,146)	(668,924)
Accumulated losses at the end of the year	(14,970,267)	(13,654,121)

Dividends

No dividends were paid or declared during the year.

NOTE 17 - PARTICULARS IN RELATION TO CONTROLLED ENTITIES

Parent Entity

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

Controlled Entities	Country of Incorporation	Ownership Interest 2013	2012
		%	%
BMDi Pty Ltd	Australia	100	100
BMDi TUTA Healthcare Pty Ltd	Australia	100	100
Bio Medical Developments International Pty Ltd	Australia	70	70
BMDi TUTA Healthcare UK Ltd	United Kingdom	100	100

Minority interests

Minority interests have a value of $nil, as the partly 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 partly controlled entity. The partly controlled entity remained dormant during the year.

NOTE 18 – PARENT ENTITY DISCLOSURE

Financial Position

	Company 2013	2012
	$	$
Assets		
Current Assets	9,569	213,710
Non-Current Assets	6,299,305	6,875,739
Total Assets	6,308,874	7,089,449
Liabilities		
Current Liabilities	27,949	28,697
Total Liabilities	27,949	28,697
Equity		
Issued Capital	18,476,311	18,476,311
Equity Remuneration Reserve	131,463	131,463
Accumulated Losses	(12,326,849)	(11,547,022)
Total Equity	6,280,925	7,060,752
Financial Performance		
Loss for the year	(779,827)	(265,056)
Other comprehensive income	-	-
Total loss for the year	(779,827)	(265,056)

NOTE 19 – FINANCIAL RISK MANAGEMENT

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 details 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.

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	
	Carrying amount 2013 $	Carrying amount 2012 $
Cash and cash equivalents	129,134	578,221
Trade and other receivables	869,918	920,925
	999,052	1,499,146

Cash and term deposit
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 healthcare industry and country, in which customers operate, has less of an influence on credit risk. Approximately 14% of the Group's revenue is attributable to sales transactions with one major customer.

During November 2012, the Company implemented a debtor financing facility with Moneytech Finance Pty Ltd. 100% of trade receivables for Australian customers was financed through this facility at 30 June 2013.

NOTE 19 – FINANCIAL RISK MANAGEMENT (Cont'd)

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

	Consolidated	
	2013	**2012**
	$	**$**
Australia	848,457	910,237
UK	21,461	10,688
	869,918	920,925

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

	Gross 2013	Impairment 2013	Gross 2012	Impairment 2012
Not past due	637,101	-	542,774	-
Past due 30 – 60	218,424	-	274,726	-
Past due 61 – 90	8,624	-	108,055	-
Due 90 +	5,769	-	(4,630)	-
	869,918	-	920,925	-

An impairment loss of $nil was taken up at 30 June 2013 (2012: $nil) against 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.

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, 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.

NOTE 19 – FINANCIAL RISK MANAGEMENT (Cont'd)

The following are the contractual maturities of financial assets and financial liabilities:

Consolidated	Carrying amount	Less than one year	Between one and five years	More than five years
30 June 2013				
Financial liabilities				
Trade and other payables	1,230,546	1,230,546	-	-
Interest bearing liabilities	1,350,070	1,350,070	-	-
Total contractual outflows	2,580,616	2,580,616	-	-
Financial assets				
Cash and cash equivalents	129,134	129,134	-	-
Trade and other receivables	869,918	869,918	-	-
Total anticipated inflows	999,052	999,052	-	-
Net (outflow)/inflow on financial instruments	(1,581,564)	(1,581,564)	-	-
30 June 2012				
Financial liabilities				
Trade and other payables	1,280,074	1,280,074	-	-
Interest bearing liabilities	985,680	550,854	434,826	-
	2,265,754	1,830,928	434,826	-
Financial assets				
Cash and cash equivalents	578,221	578,221	-	-
Trade and other receivables	920,925	920,925	-	-
Total anticipated inflows	1,499,146	1,499,146	-	-
Net (outflow)/inflow on financial instruments	(766,608)	(331,782)	(434,826)	-

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 for the settlement of financial assets and liabilities.

Interest rate risk

The Group's Statement of Comprehensive Income 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 together with interest expense on the interest bearing liabilities.

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

NOTE 19 – FINANCIAL RISK MANAGEMENT (Cont'd)

	Consolidated	
	2013	**2012**
	$	**$**
Cash	20,134	469,221
Term deposits	109,000	109,000
Financial Assets	129,134	578,221
Bank Loan – Current	-	276,000
Financial Liabilities	-	276,000
Net Financial exposure	129,134	302,221

The Group is not exposed to significant interest rate risk from the variable interest rate financial assets and financial liabilities. The Group is exposed to fixed interest rate risk financial liabilities as disclosed in Note 12.

Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than Australian dollars, being the respective functional currencies of the Group's entities. During the year ended 30 June 2013 approximately 87% (2012: 84%) of the Group's sales were denominated in AUD with the remaining balance in USD. Approximately 42% of the Group's purchases were in foreign currencies, approximately 38% in USD with the remainder in JPY, GBP and CAD.

A sensitivity analysis based on the trade payables as at 30 June 2013 with currencies other than Australian dollars is provided:

	Amount	Exchange Rate at 30 June	AUD Equivalent	10% Unfavourable Movement
GBP	4,550	0.6072	7,493	8,326
JPY	1,384,996	91.64	15,113	16,793
USD	344,612	0.9274	371,589	412,877
			394,196	437,996
		Reduction in earnings		(43,800)

The Group did not hedge any of its foreign currency exposure at 30 June 2013.

NOTE 19 – FINANCIAL RISK MANAGEMENT (Cont'd)

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. 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.

NOTE 20 - STATEMENTS OF CASH FLOWS

	Consolidated	
	2013	**2012**
	$	**$**
Loss for the year	(1,316,146)	(668,924)
Adjustments for:		
Depreciation and amortisation of non-current assets	220,797	273,471
Impairment write down	301,151	-
Reversal of THI / Multigate provision	-	(101,745)
Expense recognised in respect of equity-settled share-based payments	-	21,052
Inventory write-off	55,398	-
FX differences	(36,665)	-
Movements in working capital		
Decrease / (increase) in trade and other receivables	51,007	(76,718)
Decrease / (increase) in inventories	217,998	(368,936)
Increase in other assets	(206,689)	(27,550)
Decrease in current tax receivables	32,717	-
(Decrease) / increase in provisions	(15,130)	83,626
(Decrease) / increase in trade and other payables	(49,528)	141,510
Net cash used in operating activities	(745,090)	(724,214)

a. Credit standby arrangement		
Facility limit	1,000,000	-
Amount utilised	931,456	-
	68,544	-

NOTE 21 – DIRECTORS AND KEY MANAGEMENT PERSONNEL DISCLOSURES

Directors and Key Management Personnel
The following were key management personnel of the Company at any time during the reporting period.

Directors	Executives
Gary Lewis (Chairman)	Mark Donnison (CEO)
Ian Mitchell	Suraj Sethuram
Mark Donnison (Managing Director)	Michael Jones
Dr Geoff Cumming	David Thomson (resigned on 30 May 2013)
	Ian McKenzie
	Atul Narayan (resigned on 5 April 2013)

Summary of remuneration of Directors & Key Management Personnel:

	Short term salary, bonus, fees and leave	Non monetary	Other	Post-employment SGC benefits	Share based payment expense	Total
2013	$1,095,595	-	$62,450	$91,816	-	$1,249,861
2012	$1,115,115	-	$62,450	$96,078	$21,050	$1,294,693

Individual directors and executives compensation disclosures
Information regarding individual directors and executives' 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 or specified executive has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Equity holdings and transactions
The movement during the year in the number of ordinary shares in the Company held by each specified director or specified executive, including their personally-related entities, is as follows:

Directors' direct beneficial shareholdings as at year end were:

Directors	Held at 1 July 2012	Purchases	Sales	Held at 30 June 2013
Gary Lewis	18,821,247	1,418,753	-	20,240,000
Ian Mitchell	5,432,757	-	-	5,432,757
Mark Donnison	19,539,450	2,854,220	-	22,393,670
Dr Geoff Cumming	400,000	-	-	400,000

NOTE 21 – DIRECTORS AND KEY MANAGEMENT PERSONNEL DISCLOSURES (Cont'd)

Directors	Held at 1 July 2011	Purchases	Sales	Held at 30 June 2012
Gary Lewis	14,484,938	4,336,309	-	18,821,247
Ian Mitchell	3,432,757	2,000,000	-	5,432,757
Mark Donnison	14,154,300	5,385,150	-	19,539,450
Dr Geoff Cumming	320,000	80,000	-	400,000

Related Parties

The directors disclose any conflict of interests in directors' meeting as per the requirements under the Corporations Act (2001). Any disclosures that are considered to fall under the definition of related parties as per AASB 124 'Related Party Disclosures' are made in the directors' meetings and minuted.

NOTE 22 – RELATED PARTY TRANSACTIONS

At balance date, the Company had amounts receivable from its controlled entities:

Controlled entities	2013	2012
BMDi Pty Limited	$4,151,437	$4,151,437
BMDi TUTA Healthcare Pty Ltd	$3,285,809	$3,561,092
Bio Medical Developments International Pty Limited	$1,674,574	$1,674,574
BMDi Tuta Healthcare UK Limited	$622,564	$374,910

These amounts are interest free, unsecured, have no fixed term of repayment and are repayable out of future profits.

NOTE 23 - SEGMENT REPORTING

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

Geographical segments 30 June 2013	Australia $	New Zealand $	Asia $	United Kingdom $	Unallocated / Eliminations $	Consolidated $
Revenue						
External segment income	7,965,822	358,297	502,650	87,689	237,845	9,152,303
Interest income	-	-	-	-	-	5,589
						9,157,892
Impairment write off	(301,151)	-	-	-	-	(301,151)
Interest expense	(163,349)	-	-	-	-	(163,349)
Depreciation expense	(196,882)	-	-	(23,915)	-	(220,797)
Income tax benefit	60,907	-	-	-	-	60,907
Result						
Segment result	(1,145,524)	(51,525)	(72,283)	(12,610)	(34,203)	(1,316,146)
Net loss	(1,145,524)	(51,525)	(72,283)	(12,610)	(34,203)	(1,316,146)
Assets						
Segment assets	8,797,611	-	-	197,358	(2,489,895)	6,505,074
Including non-current assets acquired during the year:						
Office equipment	-	-	-	-	-	-
Software	-	-	-	-	-	-
Furniture & Fittings	1,484	-	-	-	-	1,484
Plant & Equipment	54,451	-	-	11,739	-	66,190
	55,935	-	-	11,739	-	67,674
Segment liabilities	11,358,458	-	-	651,181	(9,111,820)	2,897,819

NOTE 23 –SEGMENT REPORTING (Cont'd)

Geographical segments 30 June 2012	Australia $	New Zealand $	Asia $	United Kingdom $	Unallocated / Eliminations $	Consolidated $
Revenue						
External segment income	7,719,073	427,907	655,912	119,640	288,696	9,211,228
Interest income	-	-	-	-	-	27,146
						9,238,374
Interest expense	(156,526)	-	-	-	-	(156,526)
Depreciation expense	(244,693)	-	-	(28,778)	-	(273,471)
Income tax benefit	122,717	-	-	-	-	122,717
Result						
Segment result	(560,563)	(31,075)	(47,633)	(8,688)	(20,965)	(668,924)
Net loss	(560,563)	(31,075)	(47,633)	(8,688)	(20,965)	(668,924)
Assets						
Segment assets	10,099,908	-	-	219,363	(2,765,023)	7,554,248
Including non-current assets acquired during the year:						
Office equipment	2,993	-	-	-	-	2,993
Software	17,953	-	-	-	-	17,953
Furniture & Fittings	1,043	-	-	-	-	1,043
Plant & Equipment	31,432	-	-	104,805	-	136,237
	53,421	-	-	104,805	-	158,226
Segment liabilities	11,607,862	-	-	377,172	(9,386,947)	2,598,087

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. There are no intersegment revenue transactions. The major products are IV systems, safety, blood banking, surgical and anaesthesia products.

NOTE 24 - COMMITMENTS

a) Operating Lease Commitments	Consolidated 2013	Consolidated 2012
Payable:	$	$
Within 1 year	250,403	463,816
Between 1 and 5 years	20,092	288,940
	270,495	752,756

NOTE 25 – EVENTS SUBSEQUENT TO BALANCE DATE

The following events occurred subsequent to 30 June 2013:

(a) The consolidation of securities of every ten fully paid ordinary shares and options into one fully paid ordinary share and option was completed on 15th August 2013.

(b) An extension of the repayment to December 2013 of the outstanding Pacific Device loan was agreed.

(c) Short term loans from Medivet Pty Ltd ($150,000) and a major shareholder ($100,000), if required, have been arranged pending completion of a proposed capital raising in December.

(d) A trade finance facility of $250,000 and an increase in the debtor finance facility of $150,000 has been arranged with Moneytech Finance Pty Ltd.

(e) A revised agreement for the acquisition of MediVet, encompassing essentially a share only offer that will be subject to future MLA shareholders' approval was reached on the 24 September 2013.

No other matter or event occurred subsequent to balance date to the date of this report that might affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

NOTE 26 – AUDITORS' REMUNERATION

	Consolidated 2013	Consolidated 2012
Remuneration of the auditor of the parent entity for:	$	$
Auditing or reviewing the financial report	64,634	68,012
Non-audit services: share registry, other	-	15,772
	64,634	83,784
Remuneration of other auditors of subsidiaries for:		
Auditing or reviewing the financial report of subsidiaries	8,286	6,613
Non-audit services: taxation, other	6,483	5,876
	14,769	12,489

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

DIRECTORS' DECLARATION

In the opinion of the Directors of Medical Australia Limited ('the Company'):

1. (a) the financial statements and notes set out on pages 28 to 64 and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report, set out on pages 17 to 26, are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its 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 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

   (c) there are reasonable grounds to believe that the Group 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 2013.

3. The Directors draw attention to Note 1 of the consolidated financial statements, which includes a statement of compliance with International Financial Reporting standards.

Signed at Sydney this 30th day of September 2013
in accordance with a resolution of the Board of Directors:

Gary Lewis
Chairman

GouldRalph
ASSURANCE

Chartered Accountants
ABN 74 632 161 298
Level 42, Suncorp Place
259 George Street
Sydney NSW 2000
Australia
T: +61 2 9032 3000
F: +61 2 9032 3088
E: mail@gouldralph.com.au
W: www.gouldralph.com.au

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MEDICAL AUSTRALIA LIMITED

Report on the financial statements
We have audited the accompanying financial statements of Medical Australia Limited which comprises the consolidated statement of financial position as at 30 June 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial statements and the directors' declaration of the Company 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 statements
The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditors' responsibility
Our responsibility is to express an opinion on the financial statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. 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 statements. Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Matters Relating to Electronic Publication of the Audited Financial Report
This audit report relates to the financial report of Medical Australia Limited for the year ended 30 June 2013 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 audit 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 audited financial report to confirm the information contained in the website version of the financial report.

Independence
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Auditor's opinion
In our opinion:

a) the financial statements of Medical Australia Limited is in accordance with the *Corporations Act* 2001, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the 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 statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter
Without qualifying our opinion expressed above, we draw attention to Note 1 'Going Concern' in the financial statements, which identifies various matters that indicate the existence of material uncertainties that casts significant doubt about the consolidated entity's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

Report on the Remuneration Report
We have audited the Remuneration Report included on pages 21 to 26 of the directors' report for the year ended 30 June 2013. 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 Australian Auditing Standards.

Auditor's Opinion on the Remuneration Report
In our opinion the Remuneration Report of Medical Australia Limited for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.

GOULD RALPH ASSURANCE

GREGORY C RALPH, M.Com, FCA
Partner

Dated this 30th day of September 2013
Sydney

Additional Securities Exchange Information

Additional information as at 31 August 2013 required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report.

Home Exchange
The Company is listed on the Australian Securities Exchange. The Home Exchange is Sydney.

Committees
The committees that were present at the date of this report and the memberships thereof include:
Audit and Risk Committee – Mr G Lewis & Mr I Mitchell (Chairman)
Board Nominations Committee – Mr G Lewis & Mr G Cumming (Chairman)
Remunerations Committee – Mr G Lewis & Mr G Cumming (Chairman)

Consolidation of Securities
The consolidation of securities of every ten fully paid ordinary shares and options into one fully paid ordinary share and options was completed in August 2013.

Substantial Shareholdings
At 31 August 2013 the Register of Substantial Shareholders showed the following:

Mr Andrew Fay & Mrs Narelle Fay	8,871,648
Mr Mark Donnison & Mrs Suzanne Donnison	2,239,367
Gary Lewis & Aviva Schumer	2,039,000

Class of Shares and Voting Rights
The voting rights attached to ordinary shares, as set out in the Company's Constitution, are that every member in person or by proxy, attorney or representative, shall have one vote on a show of hands and one vote for each share held on a poll.

A member holding partly paid shares is entitled to a fraction of a vote equivalent to the proportion which the amount paid up bears to the issue price for the share.

Distribution of Shareholders
At 31 August 2013, the distribution of fully paid ordinary shares was as follows:

Range	Total Holder	Fully Paid Ordinary Shares	% Issued Capital
1 - 1,000	104	47,884	0.10%
1,001 - 5,000	167	497,446	1.10%
5,001 – 10,000	72	617,706	1.36%
10,001 – 100,000	169	6,425,711	14.16%
100,001 and over	73	37,803,837	83.28%
		45,392,584	100.00%

At 31 August 2013, 54 shareholders held less than a marketable parcel of 3,846 shares.

Additional Securities Exchange Information

Use of Cash and Assets

Since the Company's listing on the Australian Securities 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.

Consolidated Twenty Five Largest Shareholders

At 31 August 2013 the consolidated twenty five largest quoted shareholders held 70.1% of the fully paid ordinary shares as follows:

Rank	Shareholder Group	No. of Ordinary Shares	%
1	MR ANDREW FAY & MRS NARELLE FAY	8,871,648	19.5%
2	MR MARK DONNISON & MRS SUZANNE DONNISON	2,239,367	4.9%
3	GARY LEWIS & AVIVA SCHUMER	2,039,000	4.5%
4	VICTOR HOOG ANTINK	1,887,500	4.2%
5	MRS RASA ROBERTS	1,195,638	2.6%
6	STEVEN J MILLER & CO	1,180,000	2.6%
7	NUTSVILLE PTY LTD	1,148,000	2.5%
8	TREPLO PTY LIMITED	1,088,889	2.4%
9	AMNICOLE INVESTMENTS PTY LTD	1,088,889	2.4%
10	AUCKLAND TRUST COMPANY	1,087,170	2.4%
11	CME MEDICAL PTY LTD	1,062,500	2.3%
12	THREE PAGODAS PTY LTD	1,048,889	2.3%
13	CORDATO PARTNERS	1,048,889	2.3%
14	MR DAVID PATRICK WEBB	1,030,500	2.3%
15	UBS NOMINEES PTY LTD	725,800	1.6%
16	AUSTROM PTY LIMITED	677,500	1.5%
17	SCRIPT TO SCREEN PTY LTD	674,781	1.5%
18	JOHN WARDMAN & ASSOCIATES PTY LTD	651,667	1.4%
19	MR IAN BURNHAM MITCHELL	543,191	1.2%
20	AUHILL INVESTMENT SERVICES PTY LTD	524,445	1.2%
21	JADERSON PTY LIMITED	500,000	1.1%
22	MRS SUSAN HOLT	462,500	1.0%
23	CCG PTY LTD	358,243	0.8%
24	MR PETER FALK & MRS SUZANNE FALK	350,000	0.8%
25	GFK INVESTMENTS PTY LIMITED	333,334	0.7%
	Top 25	**31,818,340**	**70.1%**
	Other	13,574,244	29.9%
	Total	**45,392,584**	**100.0%**