



**MEDICAL AUSTRALIA LIMITED**

**A.B.N. 30 096 048 912**

**ANNUAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2014**

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

**CORPORATE DIRECTORY**

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**DIRECTORS**

Mr Gary Lewis (Chairman)

Dr Geoff Cumming

Mr Jeremy Delk

Mr Bruce Hancox

Mr Ian Mitchell

**COMPANY SECRETARY**

Mr Ian Mitchell

**REGISTERED OFFICE**

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**AUDITORS**

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259 George Street

SYDNEY NSW 2000

**SHARE REGISTRY**

Gould Ralph Pty Limited

Level 29, Suncorp Place

259 George Street

SYDNEY NSW 2000

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

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# MEDICAL AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## CHAIRMAN'S LETTER

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I am pleased to present you with the 2014 Annual Report for Medical Australia Limited.

The 2014 fiscal year began in challenging circumstances, with management continuing to work through the details of the proposed Medivet transaction with the vendors whilst pursuing various opportunities for the raising of capital, all at the same time where a restructuring of the business was occurring.

I am pleased to report that all three initiatives were successfully completed in the first half of the fiscal year, laying a platform for profitable trading for the second half and setting the Company on a path for strong organic growth and possible value adding transactions.

Throughout the first half of the year, and indeed towards the end of the prior year, management were addressing costs and overheads within the business with the aim of better aligning business cost with the revenues and profits that were being produced. One of the notable outcomes of this was that the head office was relocated to the Company's warehouse and operations centre in Lidcombe. Apart from the savings enjoyed, synergies and better communication within the business are now obvious.

Having acquired the Medivet business in December, a rapid integration of back office functions was achieved thanks to the hard work of staff from both businesses. Directors and management are firmly committed to ensuring the Medivet is equipped and resourced to fulfil its vast potential both here and in the US. Senior management changes following the acquisition have also resulted in a sharper focus on numbers, budgets and profitability drivers for the business.

I am also very pleased to have welcomed two new substantial shareholders to the Company's share register, following the December capital raising. The Directors and I thank them for their support and look forward to that support continuing in the future.

I would like to convey my appreciation to the hard working and loyal employees of MLA who have been through prolonged periods of change and uncertainty, yet have ensured the Company has emerged with new businesses with considerable upside, and core businesses performing strongly. Shareholders are also to be congratulated for supporting the Company over the last year and I feel very confident that the loyalty shown will be rewarded by increasingly positive investor sentiment that better financial performance inevitably brings.

Finally, you will note that I have decided to end my long association with the Company and will not be standing for re-election as a Director at the upcoming Annual General Meeting. I have enjoyed my time at MLA immensely and I am leaving the Company in good shape and in good hands.

It has been a pleasure to have been your Chairman over the last few years and I wish all shareholders every success in the future.

Signed at Sydney this 30<sup>th</sup> day of September 2014



**Gary Lewis**  
**Non-Executive Chairman**

## OPERATING AND FINANCIAL REVIEW

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### 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, and of regenerative medicine therapies and equine performance products for the animal health markets in Australia and overseas. The Company markets its products in Australia, UK, Europe, 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 through organic growth, range diversification and will seek to identify further acquisitions that are accretive. The Company will generate sales from a broad range of products in multiple markets.

#### *Disclosure of Operations – Profit*

The Profit for the year, whilst small, was achieved as a result of the aggressive overhead reduction program that was completed in the first half of the year and will deliver on going benefits. Following the integration of the Medivet business it has now making a positive contribution to overall earnings. An operational improvement program is currently underway with key suppliers and has already delivered supply chain efficiencies, improved cost position and more efficient use of working capital.

#### *Disclosure of Operations – Sales*

Overall sales revenue for FY2014 was higher as a result of increases across all segments of the human health business as well as the addition of the Medivet business. The TUTA direct business grew by 11%, the supply to OEMs grew by 2%, and most pleasing, the Clements business grew by 13% on the back of strong sales into Asia.

#### *Disclosure of Financial position*

Total assets increased by approximately \$5.6m in FY14 driven mainly by the acquisition of Medivet and the December capital raising, together both delivering increases in cash, debtors, inventory and goodwill in respect of Medivet. There were no write downs of intangibles in 2014.

Total reported liabilities of the Group decreased year on year by approximately \$160k. The elimination of almost all debt was partially offset through the acquisition of additional creditors and deferred revenue balances acquired through the acquisition of Medivet.

#### *Business strategies and prospects for future financial years*

The company will continue to pursue organic growth on the strength of the strong reputation that the TUTA brand enjoys in the Australian market as well as key export markets. We will seek to leverage this brand strength as well as our solid reputation with key customers by identifying and pursuing possible acquisitions. The animal health market remains an area of key focus for organic growth, geographical expansion and strategic acquisitions.

Signed at Sydney this 30<sup>th</sup> day of September 2014



**Darryl Ellis**  
Chief Operating Officer

The Board of Directors is responsible for the overall Corporate Governance of the Company and oversight of management, and for protecting the rights and interests of the shareholders, by adopting systems of control and managed risk as the basis for administration.

The Board is committed to maintaining the highest standards of Corporate Governance possible within the framework of its current organisation and structure. Corporate Governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders.

The Board of Directors supports the Principles of Good Corporate Governance and Best Practice Recommendations developed by the ASX Corporate Governance Council (the "Council"). The Company's practices are consistent with the Council's guidelines. The Board uses its best endeavours to ensure exceptions to the Council's guidelines do not have a negative impact on the Company and the best interests of shareholders as a whole. When the Company is not able to implement one of the Council's recommendations the Company applies the "if not, why not" explanation approach by applying practices in accordance with the spirit of the relevant principle.

The following discussion outlines the ASX Corporate Governance Council's eight principles and associated recommendations and the extent to which the Company complies with those recommendations.

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***Principle 1 – Lay solid foundations for management and oversight***

The Company has adopted recommendation 1.1 to disclose the functions reserved to the Board and those delegated to senior executives to the board are the

**1.1 The Board – Role and Responsibilities**

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. The Board is also responsible for the overall corporate governance and management oversight of the Company, and recognises the need for the highest standards of behaviour and accountability in acting in the best interests of the Company as a whole.

The Board also ensures that the Company complies with all of its contractual, statutory and any other legal or regulatory obligations. The Board has the final responsibility for the successful operations of the Company.

Where the Board considers that particular expertise or information is required, which is within the knowledge of the Board, appropriate external advice is taken and reviewed prior to a final decision being made by the Board.

Without intending to limit the general role of the Board, the principal functions and responsibilities of the Board include the following:

- formulation and approval of the strategic direction, objectives and goals of the Company;
- the prudential control of the Company's finances and operations and the monitoring of the financial performance of the Company;
- the resourcing, reviewing and monitoring of executive management;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- the timeliness, accuracy and effectiveness of communications and reporting to shareholders and the market; and
- the establishment and maintenance of appropriate ethical standards.

**1.2 Evaluation of Performance of Executives**

The Company has adopted recommendation 1.2 for evaluating the performance of senior executives.

That evaluation is by way of a report on such performance by the Chief Operating Officer to the Remuneration and Nomination Committee whenever senior executives are engaged. The Company's exploration activities have been limited over the past year.

**1.3 Reporting on Principle 1**

The Company has implemented evaluations for senior executives upon the recommendation of the Remuneration & Nomination Committee.

The performance evaluation for the Chief Operating Officer will be conducted by the Chairman of the Board.

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**Principle 2 – Structure the Board to add value**
**2.1 Board of Directors - composition, structure and process**

The Board has been formed so that its effective composition, size and commitment adequately discharges its responsibilities and duties given the Company's current size, scale and nature of its activities.

Due to the small size of the Company, the Board is made up of four Directors. Three Directors are not involved in management, but have experience as Directors in public listed companies.

There are three independent Directors on the Board. All Directors are required to bring to the Board their independent judgement, irrespective if they are independent or not.

**2.2 Regular assessment of independence**

An Independent Director, in the view of the Company, is a Non-executive Director who:

- within the last three years has not been employed in an executive capacity by the Company, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional advisor or a material consultant to the Company, or an employee materially associated with a service provider;
- is not a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The composition of the Board is reviewed periodically with regards to the optimum number and skills of Directors required for the Board to properly perform its responsibilities and functions.

**2.3 Office of Chairman and Chief Operating Officer**

The office of Chair is held by an independent Director.

The Chairman leads the Board and has responsibility for ensuring the Board receives accurate, timely and clear information to enable Directors to perform their duties as a Board.

The Chief Operating Officer is responsible and accountable to the Board for the Company's management.

**2.4 Remuneration and Nomination Committee**

The Board has established a Remuneration and Nomination Committee and Charter. The Committee considers nominations for the appointment or election of Directors that may arise from time to time having regard to the corporate and governance skills required by the Company and procedures outlined in the Constitution and the Corporations Act and ASX Listing Rules.

The Remuneration and Nomination Committee is appointed by the Board. The Committee will implement the functions listed below.

The responsibilities assumed by the Remuneration and Nomination Committee include:

- Board and senior executive functions;
- Board composition;
- number of Board members;
- criteria for nomination of Directors;
- selection and appointment of the Chairman;
- selection and appointment of the Secretary;
- determine the frequency of meetings of the Committee;
- seek professional advice when required;
- responsibilities of the Committee;
- oversight of Board and executive succession plans; and
- Evaluate performance of Senior Executives.

**2.5 Performance review and evaluation**

The Company discloses its process for evaluating the performance of the Board, Committees and Independent Directors.

It is the policy of the Board to ensure that the Directors and executives of the Company are equipped with the knowledge and information they need to discharge their responsibilities effectively,

and that individual and collective performance is regularly and fairly reviewed by the Board. There is on-going monitoring by the Chairman and the Board of such knowledge, information and experience. The Chairman also speaks with each Director individually regarding their role as a Director.

## 2.6 Evaluation Process

### Induction and education

The Company has a policy of providing each new Director or officer with a copy of the following documents:

- Audit and Risk Committee Charter;
- Remuneration and Nomination Committee Charter;
- Code of Conduct;
- Continuous Disclosure Policy;
- Share Trading Policy; and
- Constitution.

### Access to information

Each Director has access to Board papers and all relevant documentation.

### Skills, knowledge and experience

Directors are appointed based on the specific corporate and governance skills and experience required by the Company. The Board consists of a relevant blend of personal experience in manufacture and marketing, pharmaceutical and veterinary technology, accounting and finance, law, financial and investment markets, financial management and public company administration, and, Director-level business or corporate experience required by the Company.

### Independent directors

The Company considers that three of the four current directors are Independent Directors. The names, qualifications, experience of each Director and period in office are as set out in the Annual Report, as well as whether the Board considers them to be Independent Directors.

### Professional advice

Board members, with the approval of the Chairman, may seek from time to time external professional advice.

### Terms of appointment as a director

The Constitution of the Company provides that a Director may not retain office for more than three calendar years or beyond the third Annual General Meeting following his or her election, whichever is longer, without submitting himself or herself for re-election. One third of the Directors must retire each year and are eligible for re-election. The Directors who retire by rotation at each Annual General Meeting are those with the longest length of time in office since their appointment or last election.

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## ***Principle 3 – Promote ethical and responsible decision making***

### **3.1 Code of conduct and ethical standards**

The Company has established a formal code of conduct that guides compliance with all levels of legal and other obligations to stakeholders. The Code is focused on ensuring that all Directors, executives and employees act with the utmost integrity and objectivity in carrying out their duties and responsibilities, striving at all times to enhance the reputation and performance of the Company.

The code of conduct outlines:

- the practices necessary to maintain confidence in the Company's integrity;
- the practices necessary to take into account legal obligations and reasonable expectations of stakeholders; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

### Access to company information and confidentiality

All Directors have the right of access to all relevant Company books and to the Company's executive management. In accordance with legal requirements and agreed ethical standards, Directors and executives of the Company have agreed to keep confidential information received in the course of exercising their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

### Share dealings and disclosures

The Company has adopted a policy relating to the trading of Company securities. The Board restricts Directors, executives and employees from acting on material information until it has been released to



the market. Executives, employees and Directors are required to consult the Chairman and the Board respectively, prior to dealing in securities in the Company or other companies with which the Company has a relationship.

Share trading by Directors, executives or employees is not permitted at any time whilst in the possession of price sensitive information not already available to the market. In addition, the Corporations Act prohibits the purchase or sale of securities whilst a person is in possession of inside information.

### **Conflict of interest**

To ensure that Directors are at all times acting in the best interests of the Company, Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot, or is unwilling to remove a conflict of interest then the Director must, as required by the Corporations Act, absent himself from the room when Board discussion and/or voting occurs on matters about which the conflict relates.

### Related party transactions

Related party transactions include any financial transaction between a Director and the Company as defined in the Corporations Act or the ASX Listing Rules. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction. The Company also discloses related party transactions in its financial statements as required under relevant Accounting Standards.

### **3.2 Diversity**

The Company has established a policy concerning diversity.

### **3.3 Disclosure of Diversity Objectives**

The Company discloses in each Annual Report the measurable objectives for achieving gender

diversity in accordance with the diversity policy and the current position in relation thereto.

### **3.4 Proportion of Women Employees**

The Company discloses in each Annual Report the proportion women employees in its organisation, senior executive positions and on the Board.

### **3.5 Publicly available information**

The Company makes publicly available on the Company's website, the Share Trading Policy, and Continuous Disclosure Policy and Code of Conduct under the corporate governance section.

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## ***Principle 4 – Safeguard integrity in financial reporting***

### **4.1 Audit and Risk Committee**

The Company has established an Audit and Risk Committee which has a corresponding charter. The objective of the Committee is to make recommendations to the Board regarding, the adequacy of the external audit, risk management and compliance procedures. The Committee evaluates from time to time the effectiveness of the financial statements prepared for the Board meetings and ensures that an independent judgement is exercised in relation thereto.

### **4.2 Membership of Audit and Risk Committee**

Two independent Directors are members of the Audit & Risk Committee and the Audit & Risk Committee is not chaired by the Chairman of the Company.

### **4.3 Charter of Audit and Risk Committee**

The Audit & Risk Committee charter includes the following:

- duties and responsibilities of the Committee;
- meetings;
- complaints procedures;
- composition of the Audit & Risk Committee;
- structure of the Audit & Risk Committee;
- number of meetings;
- membership requirements: and
- selection, appointment and rotation of the external auditor.

### **4.4 Members and Qualifications of Audit and Risk Committee**

The members and qualifications of the Audit & Risk Committee are as set out in the Annual Report together with the number of meetings each member attended.

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***Principle 5 – Make timely and balanced disclosure***

**5.1 Continuous disclosure to the ASX**

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with shareholders.

Accordingly the Company will notify the ASX promptly of information:

- concerning the Company, that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities; and
- the announcements are made in a timely manner, are factual and do not omit material information in order to avoid the emergence of a false market in the Company's securities.

**5.2 Disclosure Policy**

The Company has adopted a continuous disclosure policy which is included in the Company website.

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***Principle 6 – Respect the rights of shareholders***

**6.1 Communications**

The Company has not adopted recommendation 6.1 because it does not have a formal Shareholders' Communication Policy.

**6.2** Although the Company does not have a Shareholder Communication Policy the Company recognises its duty to ensure that its shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders and the market through:

- the Annual Report which is distributed to shareholders (usually with the Notice of Annual General Meeting);
- the Annual General Meeting and other general meetings called to obtain shareholder approvals as appropriate;
- the half-yearly Directors' and financial

statements;

- quarterly activities and cash flow reports; and
- other announcements released to the ASX as required under the continuous disclosure requirements of the ASX Listing Rules and other information that may be mailed to shareholders or made available through the Company's website.

The Company actively promotes communication with shareholders through a variety of measures, including the use of the Company's website and email. The Company's reports and ASX announcements are made available on the Company's website and on the ASX website.

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***Principle 7 - Recognise and manage risk***

**7.1 Risk Management**

The Board is responsible for the identification, monitoring and management of significant business risks and the implementation of appropriate levels of internal control. The Board regularly reviews and monitors areas of significant business risk.

**7.2 Risk Management Control**

Because the Board has the oversight function of risk management and internal control systems. The risk management functions and oversight of material business risks are performed directly by the Board and not by management.

Internal control and risk management

The primary vehicle for managing corporate risks is the Audit & Risk Committee appointed by the Board. The Committee reviews systems of external and internal controls and areas of significant operational, financial and property risk and ensures arrangements are in place to contain such risks to acceptable levels. The Company ensures that appropriate insurance policies are kept current to cover all potential risks and maintaining Directors' and Officers' professional indemnity insurance.

The internal audit function is carried out by the Audit & Risk Committee.

**7.3 CEO and Company Secretary declarations**

The Board has determined that the Chief Operating Officer and the Company Secretary are the appropriate persons to make the CEO and CFO declarations in respect of each financial year ended, as required under section 295A of the Corporations Act and recommended by the ASX Corporate

Governance Council. The Board is also satisfied that the internal control system is operating effectively in all material respects.

#### 7.4 Internal Controls and Risk Management

- the Board conducts its evaluations regarding internal control and risk management;
- the Board has received the assurance of compliance from the Chief Operating Officer and Company Secretary;
- the Company does not have a written policy on risks oversight management of business material risks because the number of people engaged in the Company's operations is insufficient to warrant production of a detailed policy document; and
- independent professional advice - subject to prior consultation with the Chairman, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

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### *Principle 8 – Remunerate fairly and responsibly*

#### 8.1 Remuneration and Nomination Committee

The Board has established a Remuneration & Nomination Committee which reports to the Board.

#### 8.2 Remuneration & Nomination Committee charter and responsibilities

The Company has established a Remuneration and Nomination Committee charter. The role and responsibility of the Committee/Board is to review and make recommendations in respect of:

- executive remuneration policy;
- Executive Director and senior management remuneration;
- Non-executive Directors' Remuneration;
- performance measurement policies and procedures;
- Administration of the Company's Diversity policy;
- Board evaluation and performance of Directors; and
- Issue and allotment of options to Directors and Senior Executives.

#### Composition of the Remuneration & Nomination Committee

The Remuneration & Nomination Committee is structured so that is made up of:

- only Non-executive Directors;
- a majority of Independent Directors; and
- an independent Chairman, who is not chairman of the board.

#### 8.3 Remuneration policy

The Directors remuneration is adopted by shareholders at the Annual General Meeting. The salary and emoluments paid to officers are approved by the Board. The Chief Operating Officer has entered into a Service Agreement for a term not exceeding three years. Consultants are engaged as required pursuant to service agreements. The Company ensures that fees, salaries and emoluments are in line with general standards for publicly listed companies of the size and type of the Company. All salaries of Directors and statutory officers are disclosed in the Annual Report of the Company each year.

#### 8.4 Salaries and Allowances

- The salary component of the Chief Operating Officer remuneration is made up of fixed remuneration;
- The salary component of Non-executive Directors is made up of fixed remuneration.
- The Company discloses the names of Directors in the Remuneration & Nomination Committee in its Annual Report;
- The Company does not provide any schemes for retirement; and
- The Company has made publicly available a summary of the Remuneration & Nomination Committee Charter on the Company's website.

#### Corporate Governance Compliance

##### Compliance with Corporate Governance Principles

The Company confirms that it complies with ASX Listing Rule 4.10.3 relating to Corporate Governance Reporting except where specifically otherwise mentioned in this Corporate Governance Statement.

# MEDICAL AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

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Your directors have pleasure in presenting their report on the consolidated entity for the financial year ended 30 June 2014.

### 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 from 30 June 2011 to 12 February 2014
Dr Geoff Cumming	Director since 23 January 2009
Bruce Hancox	Director since 12 February 2014
Jeremy Delk	Director since 25 February 2014

### 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 has also been a director of Atlantic Limited since 12 March 2014.

Mr Lewis had been a Director since 24 November 2006 and was appointed Managing Director on 1 March 2007. He resigned as 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. Mr Lewis will stand down as Chairman and not seek re-election as a Director of the Company at the Annual General Meeting to be held in November 2014.

### 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. Mr. Mitchell is currently a director of Ark Mines Limited.

### Mark Donnison, Managing Director (Resigned 12 February 2014)

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 until resigning on 12 February 2014.

# MEDICAL AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

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### **Dr Geoff Cumming, Independent Non-Executive Director**

Dr Geoffrey Cumming has significant healthcare industry experience and holds a Bachelor of Science degree from Swinburne 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.

### **Bruce Hancox**

Mr. Hancox has had a long and distinguished career in business in Australia and New Zealand. He was for many years involved with Brierley Investments as General Manager, Group Chief Executive and Chairman. He also served as a director of many Brierley subsidiaries in New Zealand, Australia and the United States. Since 2006 he has pursued various private investment interests and has been a director of, and consultant to, a number of companies. He has acted as an advisor on a number of takeover situations. Mr. Hancox has been a director of Neuren Pharmaceuticals Limited from 8 March 2012 to the present and was a director of Retail Food Group Limited up until 30 April 2013.

Mr. Hancox has been a Director since 12 February 2014.

### **Jeremy Delk**

Mr. Delk has been a successful entrepreneur for over a decade, with a keen eye for innovative new products, technologies and unexploited market niches. Mr. Delk worked in the financial sector with Fidelity Investments in both Boston and NYC. In 2011 he incorporated Delk Enterprises with an initial focus of real estate holdings. Mr. Delk soon diversified his business interests to include a portfolio of equity investments, primarily in animal health, sports medicine, human health care and pharmacy where he created access to future IP through project funding of technology and human health R&D initiatives. Mr. Delk holds a Bachelor of Science in Business Management from Johnson & Wales University which he received Cum Laude. In addition to his business interests, Mr. Delk's primary passion lies in the thoroughbred racing industry, where his family boasts four decades of racing success.

Mr. Delk has been a Director since 25 February 2014.

# MEDICAL AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

### Directors' Interests

Interests in the shares of the Company held by Directors of the reporting entity and their director related entities at the date of this report are as follows.

Director	Direct	Indirect	Total
Gary Lewis	2,024,000	15,000	2,039,000
Ian Mitchell	693,191	-	693,191
Bruce Hancox	-	-	-
Dr Geoff Cumming	40,000	-	40,000
Jeremy Delk	-	1,466,667	1,466,667
Mark Donnison	2,239,367	-	2,239,367
<b>Total</b>	<b>4,996,558</b>	<b>1,481,667</b>	<b>6,478,225</b>

### 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	12	12	-	-	-	-	-	-
Ian Mitchell	12	12	2	2	-	-	-	-
Mark Donnison	8	8	-	-	-	-	-	-
Dr Geoff Cumming	12	8	-	-	-	-	-	-
Jeremy Delk	5	5	-	-	-	-	-	-
Bruce Hancox	5	5	2	2	-	-	-	-

### 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 and animal health products.

### Financial Results

The consolidated profit after income tax attributable to members of the Company for the year was \$105,241 (2013: loss of \$1,316,146).

# MEDICAL AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

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### **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 significant changes in the state of affairs of the Group that occurred during the year ended 30 June 2014 were as follows:

- the acquisition of Medivet Australia Pty Limited and therefore entry into the animal health and regenerative medicine sector.
- the issue of 20,000,000 shares in December 2013 to raise \$4.0m in additional capital.

### **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 17 and forms part of the Directors' Report for the year ended 30 June 2014. During the year ended 30 June 2014, the lead auditor did not perform any non-audit services for the company.

### **Events Subsequent to Balance Date**

There are no events which have occurred subsequent to balance date and 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 and Expected Results**

The Company will continue to focus on organic growth within its human health business following increases in its sales force. Additional growth opportunities will also be pursued in the form of new product lines and possible future corporate transactions. The Company also expects to invest in and further develop, the animal health business, particularly in the United States, where it is believed huge untapped potential exists.

### **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 to directors and officers to the extent permitted by the law, against liability which may arise through their duties as directors and officers. Insurance premiums paid in respect of directors and officers insurance amount to \$14,890. No indemnifications have been provided in relation to the external auditor.

### **Proceedings on Behalf of the Company**

No person has applied for leave of a 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.

# MEDICAL AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

### Remuneration Report (Audited)

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

Components of remuneration comprise of salary, bonus, statutory superannuation and options over shares. 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 factors and achievement of Key Performance Indicators.

Bonus percentages are variable and percentages if shown in the remuneration table, represent percentage for cash bonuses entitled to be paid for the year ended 30 June 2014 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.

### Employment details of Key Management Personnel

Name	Title	Commencement date	Termination Provisions (Months)	% fixed remuneration
Gary Lewis	Chairman	10 Jan 12	N/A	100%
Ian Mitchell	Director	6 Nov 08	N/A	100%
Dr Geoff Cumming	Director	23 Jan 09	N/A	100%
Bruce Hancox	Director	12 Feb 14	N/A	100%
Jeremy Delk	Director	25 Feb 14	N/A	100%
Mark Donnison <sup>1</sup>	Managing Director & CEO	12 Oct 09	3	100%
Darryl Ellis	Chief Operating Officer	13 Feb 14	1	100%
Suraj Sethuram <sup>2</sup>	GM, Finance & Administration	6 Jun 11	3	100%
Michael Jones	GM, Corporate Innovations	1 Mar 08	1	100%
Ian McKenzie <sup>3</sup>	GM, Sales & Marketing	1 May 08	1	100%

<sup>1</sup>resigned 12 February 2014

<sup>2</sup>resigned 18 October 2013

<sup>3</sup>resigned 20 September 2013



**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

Details of the nature and amount of each element of the emoluments of each director and specified executive of the economic entity in the current reporting period and prior reporting period are as follows:

<b>2014</b>	<b>Short term Salary, bonus, fees and leave \$</b>	<b>Post- employment benefits \$</b>	<b>Other Long term benefits \$</b>	<b>Share-based payment \$</b>	<b>Total \$</b>
<b>Directors</b>					
Gary Lewis	50,000	-	-	-	50,000
Jeremy Delk	81,637	-	-	-	81,637
Dr Geoff Cumming	36,000	3,330	-	-	39,330
Mark Donnison <sup>1</sup>	280,656	17,306	-	-	297,962
Ian Mitchell	40,000	-	-	-	40,000
<b>Total Directors</b>	<b>488,293</b>	<b>20,636</b>	<b>-</b>	<b>-</b>	<b>508,929</b>
<b>Specified Executives</b>					
Darryl Ellis <sup>2</sup>	78,136	7,227	-	-	85,363
Michael Jones	181,896	16,825	10,073	-	208,794
Suraj Sethuram <sup>3</sup>	70,488	4,216	-	-	74,704
Ian McKenzie <sup>4</sup>	92,667	3,647	-	-	96,314
<b>Total Specified Executives</b>	<b>423,187</b>	<b>31,915</b>	<b>10,073</b>	<b>-</b>	<b>465,175</b>
<b>Grand Total</b>	<b>911,480</b>	<b>52,551</b>	<b>10,073</b>	<b>-</b>	<b>974,104</b>

<sup>1</sup> resigned 12 February 2014

<sup>2</sup> appointed Chief Operating Officer on 13 February 2014

<sup>3</sup> resigned 18 October 2013

<sup>4</sup> resigned 20 September 2013

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

<b>2013</b>	<b>Short term Salary, bonus, fees and leave \$</b>	<b>Post- employment benefits \$</b>	<b>Other Long term benefits \$</b>	<b>Share-based payment \$</b>	<b>Total \$</b>
<b>Directors</b>					
Gary Lewis	50,000	-	-	-	50,000
Dr Geoff Cumming	36,000	3,240	-	-	39,240
Mark Donnison	296,699	24,277	818	-	320,976
Ian Mitchell	40,000	-	-	-	40,000
<b>Total Directors</b>	<b>422,699</b>	<b>27,517</b>	<b>818</b>	<b>-</b>	<b>451,034</b>
<b>Specified executives</b>					
Suraj Sethuram	168,000	13,500	82	-	181,582
Michael Jones	181,896	16,370	2,038	-	200,304
David Thomson <sup>1</sup>	101,481	11,517	-	-	112,998
Ian McKenzie	167,500	13,500	2,331	-	183,331
Atul Narayan <sup>2</sup>	107,473	9,412	-	-	116,885
<b>Total Specified Executives</b>	<b>726,350</b>	<b>64,299</b>	<b>4,451</b>	<b>-</b>	<b>795,100</b>
<b>Grand Total</b>	<b>1,149,049</b>	<b>91,816</b>	<b>5,269</b>	<b>-</b>	<b>1,246,134</b>

<sup>1</sup> resigned 30<sup>th</sup> May 2013

<sup>2</sup> resigned on 5<sup>th</sup> April 2013

***Service contracts with directors and executives***

Directors services are all contracted through entities controlled by directors, there are no special terms associated with any directors service contracts and no additional paid services are supplied by the directors.

***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.

# MEDICAL AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

There are no options remaining as at the date of this report. All options have either expired or been forfeited.

### 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 and indirectly owned shareholdings as at the end of this reporting period and the prior reporting period are as follows:

<b>Directors</b>	<b>Held at 1 July 2013<sup>3</sup></b>	<b>Purchases</b>	<b>Sales</b>	<b>Held at 30 June 2014</b>
Gary Lewis	2,039,000	-	-	2,039,000
Ian Mitchell	543,276	149,915	-	693,191
Bruce Hancox	-	-	-	-
Jeremy Delk <sup>1</sup>	-	1,466,667	-	1,466,667
Mark Donnison <sup>2</sup>	2,239,367	-	-	2,239,367
Dr Geoff Cumming	40,000	-	-	40,000

<sup>1</sup> acquired through issue of shares being consideration for purchase of Medivet

<sup>2</sup> resigned 12 February 2014 and balance shown is at that date

<sup>3</sup> opening balances have been adjusted to reflect the Company's 10 to 1 share consolidation in August 2013

<b>Directors</b>	<b>Held at 1 July 2012</b>	<b>Purchases</b>	<b>Sales</b>	<b>Held at 30 June 2013</b>
Gary Lewis	18,821,247	1,568,753	-	20,390,000
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

### 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.

Signed at Sydney this 30<sup>th</sup> day of September 2014

In accordance with a resolution of the Board of Directors:



**Ian Mitchell**  
Director

30 September 2014

The Board of Directors  
Medical Australia Limited  
Unit 4B, 128-130 Frances Street  
LIDCOMBE NSW 2141

Dear Directors

## **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 2014, 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



STEPHEN FISHER  
Partner

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Consolidated Statement of Comprehensive Income  
For the year ended 30 June 2014

		Consolidated	
	Notes	June 2014 \$	June 2013 \$
Sale of goods		11,874,962	9,152,303
Cost of goods sold		(5,623,005)	(4,312,988)
<b>Gross profit</b>		<u>6,251,957</u>	<u>4,839,315</u>
Expenses:			
Administration and consultants	2	(1,010,692)	(971,803)
Depreciation and amortisation		(206,121)	(220,797)
Impairment write down	2, 6	-	(301,151)
Employee benefits expenses		(2,851,369)	(3,086,810)
Travel and accommodation		(442,596)	(446,350)
Occupancy costs		(586,178)	(469,029)
Advertising and marketing		(69,818)	(27,146)
Other	2	(965,802)	(535,522)
<b>Profit/(Loss) before interest and income tax</b>		<u>119,381</u>	<u>(1,219,293)</u>
Financial income		18,787	5,589
Financial expense		(113,223)	(163,349)
<b>Net financing loss</b>		<u>(94,436)</u>	<u>(157,760)</u>
<b>Profit/(Loss) before income tax</b>		24,945	(1,377,053)
Income tax benefit	3	48,668	60,907
<b>Profit/(Loss) for the year after income tax</b>		<u>73,613</u>	<u>(1,316,146)</u>
Non-controlling interest		(31,628)	-
<b>Net (loss) for the period after non-controlling interest</b>		<u>105,241</u>	<u>(1,316,146)</u>
<b>Profit/(Loss) for the year after income tax</b>		73,613	(1,316,146)
<b>Other comprehensive income after income tax</b>			
Exchange differences on translating foreign controlled entity		(10,702)	(32,760)
<b>Total comprehensive profit/(loss) for the year</b>		<u>62,911</u>	<u>(1,348,906)</u>

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Consolidated Statement of Comprehensive Income  
For the year ended 30 June 2014

<b>Net profit/(loss) attributable to</b>		
Owners of the parent entity	105,241	(1,316,146)
Non-controlling interest	(31,628)	-
	<u>73,613</u>	<u>(1,316,146)</u>
<b>Total comprehensive income (loss) attributable to</b>		
Owners of the parent entity	82,143	(1,348,906)
Non-controlling interest	(19,232)	-
	<u>62,911</u>	<u>(1,348,906)</u>
Basic earnings (loss) per share attributable to ordinary shareholders (cents per share)	4 <u>0.14 cents</u>	<u>(2.90) cents</u>
Diluted earnings (loss) per share attributable to ordinary shareholders (cents per share)	4 <u>0.14 cents</u>	<u>(2.90) cents</u>

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Consolidated Statement of Financial Position

As at 30 June 2014

		Consolidated	
	Notes	June 2014 \$	June 2013 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	1,757,258	129,134
Trade and other receivables	6	1,614,680	869,918
Inventories	7	2,144,269	985,373
Current tax receivables		26,096	90,000
Other assets	8	459,733	248,911
<b>TOTAL CURRENT ASSETS</b>		6,002,036	2,323,336
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	314,956	194,093
Investment		103,379	-
Intangible assets	10	5,720,100	3,987,645
<b>TOTAL NON-CURRENT ASSETS</b>		6,138,435	4,181,738
<b>TOTAL ASSETS</b>		12,140,471	6,505,074
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	2,334,559	1,230,546
Interest bearing liabilities	12	8,113	1,350,070
Provisions	13	242,188	296,772
<b>TOTAL CURRENT LIABILITIES</b>		2,584,860	2,877,388
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	11	110,359	-
Interest bearing liabilities	12	9,517	-
Provisions	13	28,137	20,431
<b>TOTAL NON-CURRENT LIABILITIES</b>		148,013	20,431
<b>TOTAL LIABILITIES</b>		2,732,873	2,897,819
<b>NET ASSETS</b>		9,407,598	3,607,255
<b>EQUITY</b>			
Issued capital	14	24,676,311	18,476,311
Equity remuneration reserve	15	137,020	131,410
Non-controlling Interest		(487,410)	-
Foreign Currency translation reserve		(53,297)	(30,199)
Accumulated losses	16	(14,865,026)	(14,970,267)
<b>TOTAL EQUITY</b>		9,407,598	3,607,255

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

	Issued capital	Equity Remuneration Reserve	Non- Controlling Interests	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 30 June 2012</b>	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 loss	-	-	-	(32,760)	-	(32,760)
Total comprehensive loss	-	-	-	(32,760)	(1,316,146)	(1,348,906)
<b>Balance at 30 June 2013</b>	18,476,311	131,410	-	(30,199)	(14,970,267)	3,607,255
Profit/(loss) for the year	-	-	(31,628)	-	105,241	73,613
Other comprehensive income	-	-	12,396	(23,098)	-	(10,702)
Total comprehensive profit/(loss)	-	-	(19,232)	(23,098)	105,241	62,911
Equity contributions	6,200,000	-	-	-	-	6,200,000
Cost of share based payments	-	5,610	-	-	-	5,610
Non-controlling interest on acquisition	-	-	(468,178)	-	-	(468,178)
<b>Balance at 30 June 2014</b>	24,676,311	137,020	(487,410)	(53,297)	(14,865,026)	9,407,598



**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Consolidated Statement of Cash Flows

For the year ended 30 June 2014

		Consolidated	
	Notes	June 2014 \$	June 2013 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		11,460,248	9,387,806
Paid to suppliers and employees		(12,525,659)	(10,076,816)
Cash (used by) operations		(1,065,411)	(689,010)
Interest paid		(84,226)	(155,780)
Interest received		13,696	6,081
R&D tax refund		114,849	93,624
<b>Net cash used in operating activities</b>	12	(1,021,092)	(745,090)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for equity investments		(37,957)	-
Payments for property, plant and equipment		(62,187)	(67,674)
Other (cash balance for acquired business)		123,057	-
<b>Net cash provided by (used in) investing activities</b>		22,913	(67,674)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		4,000,000	-
Proceeds from borrowings		-	931,456
Repayment of borrowings		(1,373,712)	(567,574)
<b>Net cash provided by financing activities</b>		2,626,288	363,882
Net (decrease) / increase in cash and cash equivalents		1,628,109	(448,882)
Effect of exchange rate on cash holdings in foreign currency		15	(205)
Cash and cash equivalents at the beginning of the year	5	129,134	578,221
<b>Cash and cash equivalents at the end of the year</b>	5	1,757,258	129,134

# MEDICAL AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the financial statements

For the year ended 30 June 2014

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The financial report covers Medical Australia Limited and its controlled entities (“the Group”). Medical Australia Limited is a listed public company, incorporated and domiciled in Australia.

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.

The financial report was authorised for issue by the board of directors on 30 September 2014.

### **Note 1 – Basis of Presentation**

The financial report is a general purpose financial report, prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, modified where applicable by the measurement at fair value of selected financial assets. The accounting policies have been consistently applied.

The financial report complies with Australian Accounting Standards, which includes the Australian Accounting Interpretations. The financial report also complies with International Financial Reporting Standards (IFRS).

Where management is required to make judgements, estimates and assumptions in relation to the carrying value of assets and liabilities that have significant risk of material adjustments in the next year, and these have been disclosed in the relevant notes.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial statements. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

#### **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.

#### **Critical accounting 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.

# MEDICAL AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the financial statements

For the year ended 30 June 2014

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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 9 – Plant and equipment
- Note 10 – Intangible Assets
- Note 13 - Provisions

### **Basis of consolidation**

#### *Subsidiaries*

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2014

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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.
- Motor Vehicle is depreciated at 20% 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

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2014

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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.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2014

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*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.

*Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

*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.

# MEDICAL AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the financial statements

For the year ended 30 June 2014

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### **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 (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

# MEDICAL AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the financial statements

For the year ended 30 June 2014

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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 (income) is charged or credited outside the profit and loss when the tax relates to items that are recognised outside the profit and loss. Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable 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, based on tax rates enacted or substantively enacted at the end of the reporting period. 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.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

### *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.



# MEDICAL AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the financial statements

For the year ended 30 June 2014

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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.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period, where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed.

**MEDICAL AUSTRALIA LIMITED  
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For the year ended 30 June 2014

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Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

*Financial income*

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

Dividend revenue is recognised when the right to receive a dividend has been established.

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

# MEDICAL AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the financial statements

For the year ended 30 June 2014

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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.

### **Fair value**

The Group subsequently measures some of its assets at fair value on a recurring basis. Fair value is the price the Group would receive to sell an asset in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset (i.e. the market with the greatest volume and level of activity for the asset) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sales of the asset after taking into account transaction costs and transport costs). For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

# MEDICAL AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the financial statements

For the year ended 30 June 2014

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### **Comparative figures**

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

### **New and Amended Accounting Policies Adopted by the Group**

Consolidated financial statements

The Group adopted the following Australian Accounting Standards, together with the relevant consequential amendments arising from related Amending Standards, from the mandatory application date of 1 January 2013:

- AASB 10: Consolidated Financial Statements
- AASB 12: Disclosure of Interests in Other Entities
- AASB 127: Consolidated and Separate Financial Statements

AASB 10 provides a revised definition of "control" and may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements. These Standards are not expected to significantly impact the Group's financial statements.

#### Employee benefits

The Group adopted AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting standards arising from AASB 119 (September 2011) from the mandatory application date of 1 January 2013.

The Group has applied these Standards retrospectively in accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors and the transitional provisions of AASB 119. These Standards are not expected to significantly impact the Company's financial statements.

### **New Accounting Standards for Application in Future Periods**

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Company when adopted in future periods, are discussed below:

*AASB 9: Financial Instruments and associated Amending Standards* (applicable for annual reporting periods commencing on or after 1 January 2017).

This Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

*AASB 2012-3: Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014).

**MEDICAL AUSTRALIA LIMITED  
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For the year ended 30 June 2014

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This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group's financial statements.

Interpretation 21: Levies (applicable for annual reporting period commencing on or after 1 January 2014).

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at that specific date or progressively over a period of time.

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

*AASB 2013-3: Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirement in *AASB 136: Impairment of Assets* pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements.

*AASB 2013-4: Amendments to Australian Accounting standards - Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual reporting periods commencing on or after 1 January 2014).

*AASB 2013-4* makes amendments to *AASB 139: Financial Instruments: Recognition and Measurement* to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the Group's financial statements.

*AASB 2013-5: Amendments to Australian Accounting Standards - Investment Entities* (applicable for annual reporting periods commencing on or after 1 January 2014).

*AASB 2013-5* amends *AASB 10: Consolidated Financial Statements* to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with *AASB 9* and not be consolidated. Additional disclosures are also required. As the Group does not meet the definition of an investment entity, this Standard is not expected to significantly impact the Group's financial statements.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2014

<b>NOTE 2 – PROFIT/(LOSS) FROM OPERATING ACTIVITIES</b>	<b>Consolidated</b>	
	<b>June 2014</b>	<b>June 2013</b>
	\$	\$
The following expense items are relevant in explaining the financial performance for the year:		
Administration and consultants expenses:		
- General and administrative	427,196	388,392
- Legal fees	(38,244)	6,627
- Consultancy fees	597,740	439,480
- Due diligence costs	24,000	137,304
	1,010,692	971,803
Impairment write down	-	301,151
Other expenses:		
- Audit and review of financial reports	97,915	67,467
- Insurance	146,434	114,591
- Telephone & Internet	133,967	127,858
- Warehouse/Lab supplies	90,376	39,831
- Regulatory expense	67,079	36,840
- Provision for Doubtful Debts	69,409	-
- Bank Fee	59,513	59,798
- Foreign exchange loss/(gain)	57,070	(23,035)
- Other expenses	244,039	112,172
	965,802	535,522

At 30 June 2014, the Group had 23 employees (2013: 27).

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2014

**Note 3 – Income tax benefit**

	Consolidated	
	June 2014	June 2013
	\$	\$
<b>Numerical reconciliation between income tax benefit and pre-tax net loss</b>		
Profit/(loss) before tax – continuing operations	24,945	(1,377,053)
Income tax expense/(benefit) using the domestic corporation tax rate of 30%	7,483	(413,116)
Increase / (decrease) in income tax expense due to:		
- Non-deductible expenses	90,298	69,496
- Non-deductible impairment write down	-	90,345
- Difference in international tax rates	19,624	15,795
- Effect of tax losses brought to account	(203,499)	-
- Effect of tax losses not brought to account	88,370	237,480
- Research & Development tax offset	(50,944)	(60,907)
Income tax expense/(benefit)	(48,668)	(60,907)

As at 30 June 2014 the amount of deferred tax assets not brought to account in respect of unused tax losses is estimated to be as follows:

(a) Unused revenue losses for which no benefit has been recognised as a deferred tax asset	10,677,562	11,200,973
Tax effect: Potential income tax benefit – at 30%	3,124,807	3,360,292
– at 23.5%	61,461	-
	3,186,268	3,360,292
(b) Unused capital losses for which no benefit has been recognised as a deferred tax asset	72,601	72,601
Tax effect: Potential income tax benefit – at 30%	21,780	21,780
(c) Deductible temporary differences for which no benefit has been recognised as a deferred tax asset	209,394	229,300
Tax effect: Potential income tax benefit – at 30%	62,818	68,790

The income tax return for the year ended 30 June 2014 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.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2014

**Note 4 – Profit/(Loss per share)**

**Consolidated**

	<b>2014</b>	<b>2013</b>
	\$	\$
Profit/(loss) after income tax attributable to members of the parent entity used to calculate basic and dilutive EPS	105,241	(1,316,146)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and dilutive EPS	77,171,743	45,392,583

The share structure changed in the current year following a 10 to 1 share consolidation. The prior year number of ordinary shares has been restated to provide a consistent measure of EPS.

**NOTE 5 – CASH AND CASH EQUIVALENTS**

Cash at bank and on hand	950,051	20,134
Term deposits	807,207	109,000
	1,757,258	129,134

Amounts held in the Company's bank accounts attract variable rates of interest normally associated with business bank accounts. Rates of interest applying to short term deposits range from 2.5% to 3.5% (2013: 4.15%) and maturity dates range from 35 to 60 days from balance date (2013: 60 days). Cash and cash equivalents are held with one bank and the carrying amount represents the Company's maximum exposure to liquidity risk at the end of the reporting period.

**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	1,757,258	129,134
	1,757,258	129,134

**NOTE 6 – TRADE AND OTHER RECEIVABLES**

**Current**

Trade debtors	1,760,318	869,918
Provision for Doubtful Debts	(145,638)	-
	1,614,680	869,918

Trade debtors are based on normal terms of trade, typically 30 days from end of month. Trade debtors are carried at their fair value and the net balance of trade debtors represents the Company's exposure to credit risk at the end of the reporting period.



**MEDICAL AUSTRALIA LIMITED  
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Notes to the financial statements

For the year ended 30 June 2014

<b>NOTE 7 – INVENTORIES</b>	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	\$	\$
<b>Current</b>		
Finished goods	2,360,329	1,046,798
Impairment	(216,060)	(61,425)
	2,144,269	985,373

Inventory is valued at the lower of cost and net realisable value. Assessments of the allowance for inventory obsolescence may require a degree of estimation and judgment. The level of the allowance is assessed by taking into account the ageing of inventories, the expected amount to be recovered through disposals and other factors that affect inventory obsolescence. During the period the carrying value of inventory was written down by \$154,635 to its expected recoverable value. Inventory items are periodically assessed for impairment indicators.

**NOTE 8 – OTHER ASSETS**

<b>Current</b>		
Deposits	384,785	104,818
Prepaid expenses	45,239	30,673
Other	29,709	113,420
	459,733	248,911

**NOTE 9 – PLANT AND EQUIPMENT**

Plant and equipment	348,916	567,190
Accumulated depreciation	(274,524)	(423,352)
	74,392	143,838
Furniture and fittings	127,013	40,810
Accumulated depreciation	(60,473)	(19,788)
	66,540	21,022
Office equipment	228,002	326,168
Accumulated depreciation	(210,410)	(309,530)
	17,592	16,638
Leasehold Improvements	167,923	61,155
Accumulated depreciation	(77,108)	(48,560)
	90,815	12,595
Motor Vehicles	114,856	-
Accumulated depreciation	(49,239)	-
	65,617	-
Total plant and equipment	314,956	194,093

**MEDICAL AUSTRALIA LIMITED  
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Notes to the financial statements

For the year ended 30 June 2014

**NOTE 9 – PLANT AND EQUIPMENT (Cont'd)**

Movement in carrying amounts are as follows:

	<b>2014</b>	<b>Consolidated 2013</b>
	\$	\$
<b>Plant and equipment</b>		
Carrying amount at beginning of year	143,838	206,480
Additions	2,675	66,190
Effective movement in exchange rates	6,146	4,619
Depreciation	(78,267)	(133,451)
Carrying amount at year-end	74,392	143,838
<b>Furniture and fittings</b>		
Carrying amount at beginning of year	21,022	24,697
Additions	52,607	1,484
Additions – Business Acquisition	29,217	-
Effective movement in exchange rates	155	-
Depreciation	(36,459)	(5,159)
Carrying amount at year-end	66,540	21,022
<b>Office equipment</b>		
Carrying amount at beginning of year	16,638	45,531
Additions	4,225	-
Additions – Business Acquisition	12,419	-
Depreciation	(15,687)	(28,893)
Carrying amount at year-end	17,592	16,638
<b>Leasehold Improvements</b>		
Carrying amount at beginning of year	12,595	20,992
Additions	4,550	-
Additions – Business Acquisition	92,637	-
Effective movement in exchange rates	98	-
Depreciation	(19,071)	(8,397)
Carrying amount at year-end	90,815	12,595
<b>Motor Vehicles</b>		
Carrying amount at beginning of year	-	-
Additions	5,586	-
Additions – Business Acquisition	67,519	-
Depreciation	(7,488)	-
Carrying amount at year-end	65,617	-

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2014

**NOTE 9 – PLANT AND EQUIPMENT (Cont'd)**

	<b>2014</b>	<b>Consolidated 2013</b>
	\$	\$
<b>Total</b>		
Carrying amount at beginning of year	194,093	297,700
Additions	69,643	67,674
Additions – Business Acquisition	201,792	-
Effective movement in exchange rates	6,399	4,619
Depreciation	(156,972)	(175,900)
Carrying amount at year-end	314,956	194,093

During the year ended 30 June 2014, no impairment write down was considered necessary to Plant and Equipment assets.

**NOTE 10 – INTANGIBLE ASSETS**

Goodwill – TUTA Healthcare	3,409,564	3,409,564
Goodwill on acquisition – Clements	400,000	400,000
Goodwill on acquisition – Medivet	1,781,604	-
	5,591,168	3,809,564
Product Development Costs – Gross	359,179	359,179
Less: Accumulated amortisation	(230,247)	(181,098)
Product Development Costs – Net	128,932	178,081
	5,720,100	3,987,645

**Goodwill**

An impairment test for goodwill has been separately performed for the Tuta, Clements, and Medivet businesses as at 30 June 2014. Based on the results of those tests, the Directors believe that there is no impairment loss to be recognised on the carrying values. The recoverable amount of a 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	Medivet
Revenue growth rate	2015: 21% 2016-2019: 4%	2015: (7%) 2016-2019: 2%	2015: 37% 2016-2019: 15%
Cost of Goods Sold (% of Revenue) in base year	2015: 51%	2015: 65%	2015: 37%
Cost of Goods Sold growth rate	2016-2019: 5%	2016-2019: 2%	2016: 25% 2017-2019: 15%
Operating Costs growth rate	2015: (3%) 2016-2019: 3%	2015-2019: 3%	2015: 24% 2016-2019: 5%

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2014

**NOTE 10 – INTANGIBLE ASSETS (Cont'd)**

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.

**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 2014, specific product development costs capitalised as intangible assets have a carrying value of \$128,932 (2013: \$178,081).

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 11 – TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Trade creditors	1,613,887	1,035,013
Income in advance	361,022	-
Payroll liabilities	41,457	21,179
Accruals	318,193	174,354
	2,334,559	1,230,546
<b>Non-current</b>		
Trade creditors	110,359	-

**NOTE 12 – INTEREST BEARING LIABILITIES**

	<b>Consolidated</b>	
	<b>June 2014</b>	<b>June 2013</b>
	<b>\$</b>	<b>\$</b>
<b>Current (i)</b>		
Loans	-	418,614
Debtor finance facility	-	931,456
Hire Purchase	8,113	-
<b>Total</b>	8,113	1,350,070
<b>Non-current</b>		
Hire Purchase	9,517	-

(i) All interest bearing liabilities reported at June 2013 were settled during the reporting period using the proceeds of capital raisings. Interest bearing liabilities as at reporting date are represented by a motor vehicle lease.

**MEDICAL AUSTRALIA LIMITED  
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For the year ended 30 June 2014

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	\$	\$
<b>NOTE 13 – PROVISIONS</b>		
<b>Current</b>		
Provision for employee annual leave and long service leave entitlements	242,188	296,772
<b>Non-current</b>		
Provision for employee long service leave entitlements	28,137	20,431
<b>(a) Movements in provisions</b>		
Movements in provisions for the financial year are as follows:		
<b>Annual Leave</b>		
Carrying amount at beginning of year	229,619	
Increases to provision	127,143	
Amount utilised	(185,311)	
As at 30 June 2014	171,451	
<b>Long Service Leave</b>		
Carrying amount at beginning of year	87,584	
Increases to provision	11,290	
As at 30 June 2014	98,874	
Current	70,737	
Non-current	28,137	
	98,874	

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.

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**NOTE 14 – ISSUED CAPITAL**

	2014 No.	2014 \$	2013 No.	2013 \$
<b>Fully paid ordinary shares</b>				
Balance at the beginning of the year	453,925,832	18,476,311	453,925,832	18,476,311
Share consolidation – 10 shares into 1 share	(408,533,248)	-	-	-
Shares issued on 6 December 2013 at fair value of \$0.06 per share	36,666,667	2,200,000	-	-
Shares issued on 10 December 2013 at \$0.20 per share	20,000,000	4,000,000	-	-
Shares issued to employees on 10 December 2013	30,000	-	-	-
Balance at the end of the year	<u>102,089,251</u>	<u>24,676,311</u>	<u>453,925,832</u>	<u>18,476,311</u>

Issued capital as at 30 June 2014 amounted to \$24,676,311 (102,089,251 ordinary shares). The movements in the issued capital of the company in the current year are shown in the above table.

**NOTE 15 – EQUITY REMUNERATION RESERVE**

	Consolidated	
	2014 \$	2013 \$
Opening balance	131,410	131,410
Share based payment expenses	5,610	-
Closing balance	<u>137,020</u>	<u>131,410</u>

Details of the options which existed as at 30 June 2014 are:

Grant date	Expiry date	Exercise price	Balance at 1 July 2013	Granted during the year	Exercised during the year	Forfeited during the year	Balance at 30 June 2014	Vested and exercisable at end of the year
		\$	Number	Number	Number	Number	Number	Number
17-Sep-09	30-Jun-14	0.80	200,000	-	-	200,000	-	-
1-Feb-11	14-Jul-14	0.50	375,000	-	-	250,000	125,000	125,000
14-Sep-11	3-Sep-14	0.50	125,000	-	-	-	125,000	125,000
9-Nov-11	14-Jul-14	0.50	250,000	-	-	250,000	-	-
			<b>950,000</b>	<b>-</b>	<b>-</b>	<b>700,000</b>	<b>250,000</b>	<b>250,000</b>
Weighted average exercise price			\$0.6	-	-	\$0.6	\$0.5	\$0.5

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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	0.8	300,000	-	-	100,000	200,000	200,000
1-Feb-11	14-Jul-14	0.5	600,000	-	-	225,000	375,000	375,000
14-Sep-11	3-Sep-14	0.5	225,000	-	-	100,000	125,000	125,000
9-Nov-11	14-Jul-14	0.5	250,000	-	-	-	250,000	250,000
			<b>1,375,000</b>	-	-	<b>425,000</b>	<b>950,000</b>	<b>950,000</b>
Weighted average exercise price			\$0.5	-	-	\$0.5	\$0.6	\$0.6

Share structure changed in the current year being a 10 to 1 share consolidation. The prior year number of options has been restated to provide a consistent measure.

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	
	June 2014	June 2013
	\$	\$
Accumulated losses at the beginning of the year	(14,970,267)	(13,654,121)
Net profit/(loss) attributable to members of the parent entity	105,241	(1,316,146)
Accumulated losses at the end of the year	<u>(14,865,026)</u>	<u>(14,970,267)</u>

**Dividends**

No dividends were paid or declared during the year.

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**NOTE 17 – BUSINESS COMBINATIONS**

**Acquisition of Medivet Pty Ltd**

On 9 December 2013, the Group acquired 100% of the ordinary shares of Medivet Pty Ltd (“Medivet”), an Australian private company which operates in the animal health sector, specialising in animal stem cell research. Medivet has controlling interests in Medivet Laboratory Services Australia Pty Ltd and two US based companies, Medivet America LLC and Medivet Direct.

The acquisition has been accounted for using the acquisition method. The consolidated financial statements include the results of Medivet Pty Ltd and its subsidiaries for the period between 10 December 2013 and 30 June 2014.

The fair values of identifiable assets and liabilities of Medivet Pty Ltd and its subsidiaries at the date of acquisition were:

	<b>Fair value recognised on acquisition \$</b>
<b>Assets</b>	
Property, plant and equipment	205,574
Cash and cash equivalents	123,057
Inventory	692,555
Debtors	410,860
Other receivables and prepayments	104,600
<b>Total Assets</b>	<b>1,536,646</b>
<b>Liabilities</b>	
Trade and other payables	(413,072)
Borrowings	(416,500)
Provisions and other liabilities	(756,856)
<b>Total liabilities</b>	<b>(1,586,428)</b>
Total identifiable net assets at fair value	(49,782)
Non-controlling interest	468,178
Goodwill arising on acquisition	1,781,604
<b>Purchase consideration transferred (i)</b>	<b>2,200,000</b>
	<b>\$</b>
Net cash acquired with the subsidiary (included in cash flows from investing activities)	123,057
Cash paid	-
<b>Net cash inflow</b>	<b>123,057</b>

The fair value of receivables amounts to \$410,860.



**MEDICAL AUSTRALIA LIMITED  
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**NOTE 17 – BUSINESS COMBINATIONS (Cont'd)**

(i) The purchase consideration comprised of 36,666,667 fully paid ordinary shares in Medical Australia Limited

From the date of acquisition to the end of the reporting period, Medivet and subsidiaries contributed revenue of \$1,857,850 and a net loss after tax of \$209,686 from the continuing operations of the Group.

The goodwill recognised is primarily attributed to synergies available to the new group and the quite considerable market potential represented by the US market. The goodwill is not deductible for income tax purposes. Transaction costs of \$24,000 have been expensed and are included in administration and consultants expense in the Statement of Comprehensive Income and are part of operating cash flows in the statement of cash flows.

Shareholders will note that at the Company's last AGM, a resolution for the purchase of 100% of the shares in Medivet Pty Ltd ("Medivet") was carried. Under the Sale and Purchase Agreement with the vendors, the nominal value of the MLA shares to be transferred to Medivet shareholders in consideration for Medivet shares, was \$0.30 per share. The implied value of the transaction on that basis was \$11,000,000.

The half year and full year financial statements of MLA are required to be prepared and presented in accordance with Australian Accounting Standards. The approach and treatment of acquisitions where consideration is in the form of equity does not allow the nominal value of \$0.30 per MLA share to be used in valuing the transaction. The prescribed approach where equity is the form of consideration which is being exchanged, is to measure the fair value of the consideration with reference to the fair value of the net assets being acquired, unless that fair value cannot be estimated reliably.

Following the approach required under the abovementioned accounting standards, the independent valuer's calculations, albeit based on historic performance rather than forward looking factors, have been used to determine the fair value of the net assets being acquired and therefore the value of the consideration, the shares in MLA, that were issued to the vendors of Medivet.

**MEDICAL AUSTRALIA LIMITED  
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**NOTE 18 - 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	
		2014 %	2013 %
BMDI Pty Ltd	Australia	100	100
BMDI TUTA Healthcare Pty Ltd	Australia	100	100
Bio Medical Developments International Pty Ltd	Australia	70	70
MediVet Pty Ltd	Australia	100	-
MediVet Laboratory Services Pty Ltd	Australia	50.5	-
MediVet America LLC	United States	60.5	-
MediVet Direct	United States	60.5	-
BMDI Tuta Healthcare UK Ltd	United Kingdom	100	100

**Minority interests**

Minority interests in respect of Bio Medical Developments International Pty Ltd 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 19 – PARENT ENTITY DISCLOSURE**

**Financial Position**

	Company	
	2014 \$	2013 \$
<b>Assets</b>		
Current Assets	1,383,015	9,569
Non-Current Assets	10,778,103	6,299,305
Total Assets	<u>12,161,118</u>	<u>6,308,874</u>
<b>Liabilities</b>		
Current Liabilities	55,138	27,949
Total Liabilities	<u>55,138</u>	<u>27,949</u>
<b>Equity</b>		
Issued Capital	24,676,308	18,476,311
Equity Remuneration Reserve	137,077	131,463
Accumulated Losses	(12,707,405)	(12,326,849)
Total Equity	<u>12,105,980</u>	<u>6,280,925</u>
<b>Financial Performance</b>		
Loss for the year	(380,556)	(779,827)
Other comprehensive income	-	-
Total loss for the year	<u>(380,556)</u>	<u>(779,827)</u>

**MEDICAL AUSTRALIA LIMITED  
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For the year ended 30 June 2014

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**NOTE 20 – 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:

Carrying amount	Consolidated	
	2014	2013
	\$	\$
Cash and cash equivalents	1,757,258	129,134
Trade and other receivables	1,614,680	869,918
	<u>3,371,938</u>	<u>999,052</u>

**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.

**MEDICAL AUSTRALIA LIMITED  
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For the year ended 30 June 2014

**NOTE 20 – 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:

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	\$	\$
Australia	1,394,947	848,457
United States	209,885	-
UK	9,848	21,461
	<u>1,614,680</u>	<u>869,918</u>

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

	<b>Gross 2014</b>	<b>Impairment 2014</b>	<b>Gross 2013</b>	<b>Impairment 2013</b>
Not past due	966,514	-	637,101	-
Past due 30 – 60	425,147	-	218,424	-
Past due 61 – 90	74,643	-	8,624	-
Due 90 +	294,014	(145,638)	5,769	-
	<u>1,760,318</u>	<u>(145,638)</u>	<u>869,918</u>	<u>-</u>

An impairment loss of \$145,638 was taken up at 30 June 2014 (2013: \$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.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2014

**NOTE 20 – FINANCIAL RISK MANAGEMENT (Cont'd)**

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

<b>Consolidated</b>	<b>Carrying</b>	<b>Less than one</b>	<b>Between one</b>	<b>More than</b>
<b>30 June 2014</b>	<b>amount</b>	<b>year</b>	<b>and five years</b>	<b>five years</b>
<b>Financial liabilities</b>				
Trade and other payables	2,444,918	2,334,559	110,359	-
Interest bearing liabilities	17,630	8,113	9,517	-
<b>Total contractual outflows</b>	<b>2,462,548</b>	<b>2,342,672</b>	<b>119,876</b>	<b>-</b>
<b>Financial assets</b>				
Cash and cash equivalents	1,757,258	1,757,258	-	-
Trade and other receivables	1,614,680	1,614,680	-	-
<b>Total anticipated inflows</b>	<b>3,371,938</b>	<b>3,371,938</b>	<b>-</b>	<b>-</b>
<b>Net (outflow)/inflow on financial instruments</b>	<b>909,390</b>	<b>1,029,266</b>	<b>(119,876)</b>	<b>-</b>
<b>30 June 2013</b>				
<b>Financial liabilities</b>				
Trade and other payables	1,230,546	1,230,546	-	-
Interest bearing liabilities	1,350,070	1,350,070	-	-
	2,580,616	2,580,616	-	-
<b>Financial assets</b>				
Cash and cash equivalents	129,134	129,134	-	-
Trade and other receivables	869,918	869,918	-	-
<b>Total anticipated inflows</b>	<b>999,052</b>	<b>999,052</b>	<b>-</b>	<b>-</b>
<b>Net (outflow)/inflow on financial instruments</b>	<b>(1,581,564)</b>	<b>(1,581,564)</b>	<b>-</b>	<b>-</b>

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. Due to the small cash balances on hand throughout the year, a 10% change in the rates of interest would not have a material effect on the Group's results.

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**NOTE 20 – FINANCIAL RISK MANAGEMENT (Cont'd)**

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:

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Cash	950,051	20,134
Term deposits	807,207	109,000
Financial Assets	1,757,258	129,134
Hire Purchase	17,630	-
Financial Liabilities	17,630	-
Net Financial exposure	1,739,628	129,134

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 2014 approximately 76% (2013: 87%) of the Group's sales were denominated in AUD with the remaining balance in USD. Approximately 80% of the Group's purchases were in foreign currencies, approximately 63% in USD with the remainder in JPY, EURO and CAD.

A sensitivity analysis based on the trade payables as at 30 June 2014 with currencies other than Australian dollars is provided:

	<b>Amount</b>	<b>Exchange Rate at 30 June</b>	<b>AUD Equivalent</b>	<b>10% Unfavourable Movement</b>
<b>JPY</b>	394,996	95.43	4,139	4,599
<b>USD</b>	839,642	0.9420	891,479	990,378
			895,478	994,977
		<b>Reduction in earnings</b>		<b>(99,499)</b>

The Group did not hedge any of its foreign currency exposure at 30 June 2014.

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**NOTE 20 – 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**

**Financial Instruments**

One of the Group's financial assets is measured at fair value at the end of each reporting period. The following table gives information about how the fair value of this financial asset was determined, in particular the valuation technique and inputs used.

Financial asset/liabilities	Fair value as at		Fair value hierarchy	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30 June 14	30 June 13				
Private equity investment - 10% shareholding in Equine Sports Science Institute LLC	\$39,321	N/A	Level 3	Discounted cashflow	Long-term revenue growth, new products	The higher the revenue growth and the better the acceptance of new products, the higher the fair value
Private equity investment - Medivet Lexington	\$64,058	N/A	Level 3	Discounted cashflow	Long-term revenue growth, new products	The higher the revenue growth and the better the acceptance of new products, the higher the fair value

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

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**NOTE 21 - CASH FLOW INFORMATION**

<b>a. Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>	<b>Consolidated</b>	
	<b>June 2014</b>	<b>June 2013</b>
	\$	\$
Profit/(loss) for the year before non-controlling interest	73,613	(1,316,146)
<b>Adjustments for:</b>		
Depreciation and amortisation of non-current assets	206,122	220,797
Impairment write down	-	301,151
Expense recognised in respect of equity-settled share-based payments	5,610	-
Other movements	(36,102)	51,450
<b>Movements in working capital (net of movements arising from business combinations)</b>		
Decrease / (increase) in trade and other receivables	(218,030)	51,007
Decrease / (increase) in inventories	(276,973)	217,998
Increase in other assets	(224,357)	(206,689)
(Decrease) / increase in other provisions	(46,878)	(15,130)
(Decrease) / increase in trade and other payables	(504,097)	(49,528)
	<b>(1,021,092)</b>	<b>(745,090)</b>
<b>b. Credit standby arrangement</b>		
Facility limit	-	1,000,000
Amount utilised	-	931,456
	-	68,544

**c. Non-cash financing and investing activities**

Share issues:

On 6 December 2013 36,666,667 fully paid ordinary shares were issued at \$0.06 per share as consideration for the acquisition of Medivet Pty Ltd. Refer to Notes 14 and 17.

On 10 December 2013 30,000 fully paid ordinary shares were issued at nil cents per share to an employee as salary payment.



**MEDICAL AUSTRALIA LIMITED  
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**NOTE 22 – DIRECTORS AND KEY MANAGEMENT PERSONNEL DISCLOSURES**

**Individual directors and executives compensation disclosures**

Information regarding individual directors and executives' compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 are provided in the Remuneration Report Section of the Directors' report.

Summary of remuneration of Directors & Key Management Personnel:

	<b>Short term salary, bonus, fees and leave</b>	<b>Post- employment benefits</b>	<b>Other long term benefits</b>	<b>Share based payment expense</b>	<b>Total</b>
<b>2014</b>	\$911,480	\$52,551	\$10,073	-	\$974,104
<b>2013</b>	\$1,149,049	\$91,816	\$5,269	-	\$1,246,134

*Short-term salary, bonus, fees and leave*

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

*Post-employment benefits*

These amounts are the current-year's estimated cost of providing for superannuation contributions made during the year and post-employment life insurance benefits.

*Other long term benefits*

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

*Share based payment expense*

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Further information in relation to KMP remuneration can be found in the directors' report.

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**NOTE 23 – RELATED PARTY TRANSACTIONS**

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

<b>Controlled entities</b>	<b>2014</b>	<b>2013</b>
BMDi Pty Limited	\$4,151,437	\$4,151,437
BMDi TUTA Healthcare Pty Ltd	\$5,319,564	\$3,285,809
Bio Medical Developments International Pty Limited	\$1,674,574	\$1,674,574
BMDi Tuta Healthcare UK Limited	\$826,740	\$622,564
Medivet America LLC	\$245,042	-

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

In addition to the above, the Company has had the following dealings with related parties:

Delk Enterprises, a company controlled by director Jeremy Delk owns the property in which Medivet America LLC operates from. Rent charged is on a commercial basis and the amount incurred in the reporting period was USD\$33,171.

Included in trade payables current and non-current is a total amount of \$399,323 owed to Medivet Trading Hong Kong (“Medivet Trading”). This entity is controlled by vendors of Medivet, who hold or have held management positions in the Company during the reporting period, including current director Jeremy Delk. The value of transactions in the reporting period with Medivet Trading was \$15,191 and at 30 June 2014. All transactions are on commercial arms length terms.

In the reporting period, the sum of US\$35,000 was paid to acquire a 10% shareholding in Equine Sports Science Institute LLC, (“ESSI”), a Kentucky USA based company involved in research & development on products used in the equine industry. ESSI is partly owned by former shareholders of Medivet including current director Jeremy Delk. The amount is included within Investments in the Consolidated Statement of Financial Position. There have been no transactions with this entity during the reporting period and there are no balances payable or receivable.

Apart from the details disclosed in this note and in the Remuneration Report, 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.

**MEDICAL AUSTRALIA LIMITED  
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**NOTE 24 - SEGMENT REPORTING**

The Group operates in the animal health sector since the acquisition of Medivet Australia Pty Ltd.

Business unit segments 30 June 2014	Human Health \$	Animal Health \$	Elimination \$	Consolidated \$
<b>Revenue</b>				
External segment income	10,017,111	1,857,850		11,874,961
Interest income	18,787			18,787
				<u>11,893,748</u>
Interest expense	(111,520)	(1,703)		(113,223)
Depreciation expense	(185,390)	(20,732)		(206,122)
Tax benefit	50,944	(2,276)		48,668
<b>Result</b>				
Segment result	283,298	(209,685)		<u>73,613</u>
<b>Net profit/(loss)</b>	<u>283,298</u>	<u>(209,685)</u>		<u>73,613</u>
<b>Assets</b>				
Segment assets	11,686,511	1,243,294	(789,334)	<u>12,140,471</u>
Including non-current assets acquired during the year:				
Warehouse Equipment	2,675			2,675
Software	2,355			2,355
Furniture & Fittings	52,607			52,607
Motor Vehicles	5,586			5,586
Plant & Equipment	4,550			4,550
	<u>67,773</u>	-	-	<u>67,773</u>
<b>Segment liabilities</b>	<u>1,799,033</u>	<u>1,384,402</u>	<u>(450,562)</u>	<u>2,732,873</u>

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2014

**NOTE 24 –SEGMENT REPORTING (Cont'd)**

The Group operates within the Human and Animal health care industry in Australia, Asia, United States, and United Kingdom.

Geographical segments 30 June 2014	Australia \$	Asia \$	United States \$	United Kingdom \$	Unallocated / Eliminations \$	Consolidated \$
<b>Revenue</b>						
External segment income	8,805,045	689,143	1,229,842	310,952	839,979	11,874,961
Interest income	18,787					18,787
						<u>11,893,748</u>
Interest expense	(112,608)	-	(615)	-	-	(113,223)
Depreciation expense	(177,581)	-	(9,899)	(18,642)	-	(206,122)
Tax benefit	48,668	-	-	-	-	48,668
<b>Result</b>						
Segment result	362,596	27,566	(95,519)	(254,629)	33,599	<u>73,613</u>
<b>Net loss</b>	<u>362,596</u>	<u>27,566</u>	<u>(95,519)</u>	<u>(254,629)</u>	<u>33,599</u>	<u>73,613</u>
<b>Assets</b>						
Segment assets	13,004,652	-	592,388	165,918	(1,622,487)	<u>12,140,471</u>
Including non-current assets						
Warehouse Equipment	2,675	-	-	-	-	2,675
Software	2,355	-	-	-	-	2,355
Furniture & Fittings	52,607	-	-	-	-	52,607
Motor Vehicles	-	-	-	5,586	-	5,586
Plant & Equipment	4,550	-	-	-	-	4,550
	<u>62,187</u>	<u>-</u>	<u>-</u>	<u>5,586</u>	<u>-</u>	<u>67,773</u>
<b>Segment liabilities</b>	<u>1,062,408</u>	<u>-</u>	<u>1,816,740</u>	<u>923,483</u>	<u>(1,069,758)</u>	<u>2,732,873</u>

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2014

**NOTE 24 –SEGMENT REPORTING (Cont'd)**

Geographical segments 30 June 2013	Australia \$	New Zealand \$	Asia \$	United Kingdom \$	Unallocated / Eliminations \$	Consolidated \$
<b>Revenue</b>						
External segment income	7,965,822	358,297	502,650	87,689	237,845	9,152,303
Interest income	-	-	-	-	-	5,589
						<u>9,157,892</u>
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
<b>Result</b>						
Segment result	(1,145,524)	(51,525)	(72,283)	(12,610)	(34,203)	<u>(1,316,146)</u>
<b>Net loss</b>	<u>(1,145,524)</u>	<u>(51,525)</u>	<u>(72,283)</u>	<u>(12,610)</u>	<u>(34,203)</u>	<u>(1,316,146)</u>
<b>Assets</b>						
Segment assets	8,797,611	-	-	197,358	(2,489,895)	<u>6,505,074</u>
Including non-current assets acquired during the year:						
Office equipment	-	-	-	-	-	-
Software	-	-	-	-	-	-
Furniture & Fittings	1,484	-	-	-	-	1,484
Leasehold Improvements	54,451	-	-	11,739	-	66,190
	<u>55,935</u>	<u>-</u>	<u>-</u>	<u>11,739</u>	<u>-</u>	<u>67,674</u>
<b>Segment liabilities</b>	<u>11,358,458</u>	<u>-</u>	<u>-</u>	<u>651,181</u>	<u>(9,111,820)</u>	<u>2,897,819</u>

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

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2014

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**NOTE 25 - COMMITMENTS**

**a) Operating Lease Commitments**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
Payable:	<b>\$</b>	<b>\$</b>
Within 1 year	252,061	250,403
Between 1 and 5 years	527,368	20,092
Over 5 years	95,580	-
	<u>875,009</u>	<u>270,495</u>

**NOTE 26 – EVENTS SUBSEQUENT TO BALANCE DATE**

No 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 27 – AUDITORS' REMUNERATION**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
Remuneration of the auditor of the parent entity for:	<b>\$</b>	<b>\$</b>
Auditing or reviewing the financial report	79,000	64,634
Non-audit services: share registry, other	11,675	-
	<u>90,675</u>	<u>64,634</u>
Remuneration of other auditors of subsidiaries for:		
Auditing or reviewing the financial report of subsidiaries	18,915	8,286
Non-audit services: taxation, other	12,420	6,483
	<u>31,335</u>	<u>14,769</u>

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' DECLARATION**

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

1. (a) the financial statements and notes set out on pages 18 to 59 and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report, set out on pages 13 to 16, 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 2014 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 the Corporations Act 2001 and the Corporations Regulations 2001; and
- (c) there are reasonable grounds to believe that the Company and the Group will be able to pay their 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 2014.
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 30<sup>th</sup> day of September 2014  
in accordance with a resolution of the Board of Directors:



**Ian Mitchell**  
Director

**Chartered Accountants**

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**INDEPENDENT AUDIT 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 2014, 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 2014 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. In addition to our audit of the financial statements we were engaged to undertake services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

### **Auditors' opinion**

In our opinion:

1. the financial statements of Medical Australia Limited is in accordance with:
  - (a) the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 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.
2. the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

### **Report on The Remuneration Report**

We have audited the Remuneration Report included on pages 13 to 16 of the directors' report for the year ended 30 June 2014. 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 2014, complies with section 300A of the Corporations Act 2001.

GOULD RALPH ASSURANCE



STEPHEN FISHER  
Partner

Dated this 30<sup>th</sup> day of September 2014  
Sydney

# MEDICAL AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Additional Securities Exchange Information

Additional information as at 31 August 2014 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 B. Hancox & Mr I. Mitchell (Chairman)

Board Nominations Committee – Mr. B. Hancox & Mr. G. Cumming (Chairman)

Remunerations Committee – Mr. B. Hancox & Mr. G. Cumming (Chairman)

### Substantial Shareholdings

At 31 August 2014 the Register of Substantial Shareholders showed the following:

Y Z J TRADING CO PTY LTD	25,680,636
FIRST NZ CAPITAL CUSTODIANS	10,000,000
WALKER GROUP HOLDINGS PTY LTD	10,000,000
MR ANDREW FAY & MRS NARELLE FAY	8,118,968
CITICORP NOMINEES PTY LIMITED	5,098,965

### 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 2014, the distribution of fully paid ordinary shares was as follows:

Range	Total Holder	Fully Paid Ordinary Shares	% Issued Capital
1 - 1,000	108	46,390	0.05%
1,001 - 5,000	168	512,998	0.50%
5,001 – 10,000	73	636,568	0.62%
10,001 – 100,000	175	6,486,293	6.35%
100,001 and over	80	94,457,002	92.48%
		<u>102,139,251</u>	<u>100.00%</u>

At 31 August 2014, 207 shareholders held less than a marketable parcel of 3,125 shares.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

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 2014 the consolidated twenty five largest quoted shareholders held 82% of the fully paid ordinary shares as follows:

Rank	Shareholder Group	No. of Ordinary Shares	%
1	Y Z J TRADING CO PTY LTD	25,680,636	25.1%
2	FIRST NZ CAPITAL CUSTODIANS	10,000,000	9.8%
3	WALKER GROUP HOLDINGS PTY LTD	10,000,000	9.8%
4	MR ANDREW FAY & MRS NARELLE FAY	8,118,968	7.9%
5	CITICORP NOMINEES PTY LIMITED	5,098,965	5.0%
6	DB GENETICS LLC	2,750,000	2.7%
7	MR MARK DONNISON & MRS SUZANNE DONNISON	2,239,367	2.2%
8	GARY LEWIS & AVIVA SCHUMER	2,039,000	2.0%
9	VICTOR HOOG ANTINK	1,887,500	1.8%
10	DELK ENTERPRISES INC	1,466,667	1.4%
11	STEVEN J MILLER & CO	1,180,000	1.2%
12	MR NIMA ALAVI-MOGHADAM	1,154,292	1.1%
13	MR JAMES HACKETT	1,100,000	1.1%
14	TREPLO PTY LIMITED	1,088,889	1.1%
15	AMNICOLE INVESTMENTS PTY LTD	1,088,889	1.1%
16	AUCKLAND TRUST COMPANY	1,087,170	1.1%
17	THREE PAGODAS PTY LTD	1,048,889	1.0%
18	CORDATO PARTNERS	1,029,457	1.0%
19	UBS NOMINEES PTY LTD	969,800	0.9%
20	ADISTEM LTD	916,667	0.9%
21	MR LESLIE HAROLD FRANCIS	916,667	0.9%
22	MR KENNETH MCDONALD	733,333	0.7%
23	MR ROBERT FAMOLARO-BEYTIA	733,333	0.7%
24	MR MICHAEL HUTCHINSON	733,333	0.7%
25	MR IAN BURNHAM MITCHELL	693,191	0.7%
<b>Top 25</b>		<b>83,755,013</b>	<b>82.0%</b>
Other		18,384,238	18.0%
<b>Total</b>		<b>102,139,251</b>	<b>100.0%</b>