



**MEDICAL AUSTRALIA LIMITED**

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

**ANNUAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2016**

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

**CORPORATE DIRECTORY**

---

**DIRECTORS**

Mr. Bruce Hancox (Chairman)  
Dr. Geoff Cumming  
Mr. Ian Mitchell  
Mr. Jeremy Delk (resigned 21 August 2015)

**COMPANY SECRETARY**

Mr. Ian Mitchell

**REGISTERED OFFICE**

Level 11, 37 Bligh Street  
SYDNEY NSW 2000 Australia  
Phone: +61-2 9233 2688  
Fax: +61-2 9233 3828  
Email: [info@medaust.com](mailto:info@medaust.com)  
Website: [www.medaust.com](http://www.medaust.com)

**PRINCIPAL OFFICE**

Unit 4B, 128-130 Frances Street  
Lidcombe NSW 2141  
Phone: +61-2 9466 5300  
Fax: +61-2 9922 7165

**AUDITORS**

Nexia Sydney Audit Pty Ltd  
Level 16,  
1 Market Street  
SYDNEY NSW 2000  
Phone +61-2 9251 4600

**SHARE REGISTRY**

NextRegistries  
Level 16,  
1 Market Street  
SYDNEY NSW 2000  
Phone +61-2 9276 1700

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

**CONTENTS**

---

<b>Contents</b>	<b>Page</b>
CHAIRMAN'S LETTER	1
OPERATING AND FINANCIAL REVIEW	2
DIRECTORS' REPORT	4
AUDITOR'S INDEPENDENCE DECLARATION	12
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	13
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	15
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	16
CONSOLIDATED STATEMENT OF CASH FLOWS	17
NOTES TO THE FINANCIAL STATEMENTS	18
DIRECTORS' DECLARATION	60
INDEPENDENT AUDIT REPORT	61
ADDITIONAL STOCK EXCHANGE INFORMATION	63
STATEMENT OF CORPORATE GOVERNANCE	65

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

**CHAIRMAN'S LETTER**

---

Dear Shareholders,

I am pleased to present to you this Annual Report for Medical Australia Limited for the financial year ended 30 June 2016.

The most significant development for the Company during the year was the divestment of our interest in the US based MediVet animal healthcare business, which was effected after careful deliberation by the Board.

While the return on this investment was disappointing, it allows MLA to now devote its entire focus and resources towards the growth and development of the successful human healthcare business, upon which the Company was founded.

I am pleased to report that the human health business continues to develop, with three years of consecutive growth in revenue. We do not take this growth for granted. It is only through the ongoing efforts of the Company's employees and the quality of our brands and products that this is possible.

The Board and senior management maintain a constant focus on the ongoing innovation, improvement and enhancement of our product range, while also assessing suitable opportunities for growth through acquiring additional distribution channels or earnings accretive acquisitions.

The Board supports this growth strategy however it should be noted that we intend to proceed with all necessary oversight and due diligence, ensuring that any new opportunities are rigorously assessed and risks identified.

I am confident that with our concentrated focus on the human healthcare business, we now have the right resources in place to maintain our respected profile and market leadership in what is becoming an increasingly competitive sector.

I take this opportunity to thank my fellow Directors for their support and also the staff of Medical Australia for their continuing efforts in the competitive environment in which we operate.

Finally, I thank you, our shareholders, for your ongoing support. The Board and management of Medical Australia Limited remain committed to the further growth and development of the Company, and to delivering you increased value.

Signed this 30<sup>th</sup> day of September 2016



**Bruce Hancox**  
**Chairman**

## OPERATING AND FINANCIAL REVIEW

---

### Chief Executive Officer's Review

#### *Disclosure of Operations*

Medical Australia Limited is a medical company engaged in the manufacture, distribution and sale of a broad range of medical devices used by healthcare facilities and critical care services in global markets. The Company is a leader in Intravenous (IV) Medication Delivery Systems, Surgical Irrigation, Suction & Laboratory equipment and, Infection Control.

Following the divestment of its 60.5% interest in animal healthcare business, MediVet Biologics LLC (as announced on 17 June 2015 and completed on 21 December 2015), MLA is pursuing an aggressive strategy of increasing sales in the human health market through organic growth, range diversification and will seek to identify further acquisitions that are accretive. The Company is seeking to generate sales from a broad range of products in multiple markets.

#### *Disclosure of Operations – Profit*

The Company reports a statutory loss for financial year ended 30 June 2016 of \$4,838,263 (2015: loss of \$691,525). This result was primarily due to the adverse impact of the divestment of its interest in MediVet, as noted above. Cumulative losses with regard to the MediVet divestment were \$5,250,021, including that business' trading loss for the year, along with MLA's write down of this investment and various intercompany debts. There were no other corporate transactions, activities or changes in the Company's issued capital during the period.

#### *Disclosure of Operations – Sales*

Sales revenue from ordinary activities for the year decreased 5% to \$14,115,605, however this period contains only six months of revenue from the now divested animal health business. The Company's human healthcare business has continued its impressive growth over the last few years and has increased revenues by 8% to \$12,419,938 for financial year 2016. Sales in the Company's largest division, Tuta Direct, grew at over 13%, whilst sales in Tuta OEM were 1.9% lower with price reductions reflecting flat volume. Sales in the Clements device business were down 5% and, whilst slightly disappointing, it should be noted that the prior year's results were augmented by some large one off sales in the Asian region.

#### *Disclosure of Financial position*

As at 30 June 2016, the Group reports a cash balance of \$860,711 (2015: \$933,312), working capital of \$2,866,777 (2015: \$4,012,273) and total assets of \$9,367,620 (2015: \$12,486,008). Following the divestment of the animal health business and its associated inventory, debtors and other working capital accounts, comparisons with the prior year's balance sheet is difficult, however the financial position of the Company is now stronger and it is in a better position to generate cash. The balance sheet now represents a business that is solely focused on human health. The Company remains debt free with little in the way of capital commitments outside of tooling for new product development. Management will continue to manage all aspects of working capital and overheads, ensuring the best outcomes possible for shareholders.

*Business strategies and prospects for future financial years*

With a strengthened balance sheet, a clearly defined strategy for further growth and development of its now core human healthcare business, MLA enters the 2017 financial year with confidence.

As outlined above, the Company continues to assess products that are complimentary to its existing range that will further enhance and build its growing product suite. MLA remains focused on providing superior solutions in the areas of infection control and HAIs, which are a huge burden to the healthcare sector in Australia and globally.

The Company will also continue to consider any strategic and accretive acquisitions that may further enhance its presence in key markets, while offering potential synergies in terms of product range and distribution channels.

MLA looks forward to updating shareholders on its progress each quarter and reporting on any other material developments as they occur.

30<sup>th</sup> day of September 2016

A handwritten signature in black ink, appearing to read 'D. Ellis', with a stylized flourish at the end.

**Darryl Ellis**  
**Chief Executive Officer**

# MEDICAL AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

---

Your Directors have pleasure in presenting their report on the consolidated entity for the financial year ended 30 June 2016.

### **Directors**

Directors of the Company holding office at any time during or since the financial year are:

Bruce Hancox	Appointed 12 February 2014 – Chairman from 6 November 2014
Dr Geoff Cumming	Appointed 23 January 2009
Ian Mitchell	Appointed 6 November 2008
Jeremy Delk	Appointed 25 February 2014 – resigned 21 August 2015

### **Bruce Hancox – Independent Non-Executive Chairman**

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 is a director of the following listed entities:

Neuren Pharmaceuticals Limited from 8 March 2012 to the present

QRx Pharma Ltd from 9 July 2014 to the present

Biotetch Capital Limited from 1 September 2015 to the present

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

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

### **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.

### **Jeremy Delk – Executive Director**

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. Mr. Delk holds a Bachelor of Science in Business Management from Johnson & Wales University. Mr. Delk resigned as a director on 21 August 2015 and ceased being a specified executive on 21 December 2015.

# 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
Bruce Hancox	-	-	-
Geoff Cumming	40,000	-	40,000
Ian Mitchell	1,386,382	-	1,386,382
Jeremy Delk *	-	1,466,667	1,466,667
<b>Total</b>	<b>1,426,382</b>	<b>1,466,667</b>	<b>2,893,049</b>

\* holdings are as at date of ceasing to be employed by the Group

### Directors Meetings

The number of Directors and committee 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		Remuneration & Nominations Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Bruce Hancox	10	10	1	1	1	1
Geoff Cumming	10	10	1	1	1	1
Ian Mitchell	10	10	1	1	-	-
Jeremy Delk	-	-	-	-	-	-

### Committees

Details of the committees that were in existence at the date of this report and the memberships thereof are as follows:

Audit and Risk Committee – Ian Mitchell (Chairman), Bruce Hancox & Geoff Cumming

Remuneration Committee – Bruce Hancox (Chairman) & Geoff Cumming

### 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. For part of the year the Company was also engaged in the sale of animal health products.

### Financial Results

The consolidated loss after income tax attributable to members of the Company for the year was loss of \$4,427,249 (2015: loss of \$216,879).



# MEDICAL AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

---

### **Dividends**

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

### **Significant Changes in State of Affairs**

In the opinion of the Directors, the only significant change in the state of affairs of the Group that occurred during the year ended 30 June 2016 was the divestment of its Animal Health business.

### **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 12 and forms part of the Directors' Report for the year ended 30 June 2016. During the year ended 30 June 2016, the lead auditor did not perform any non-audit services for the Company. An associate firm of the lead auditor provided taxation compliance services and share registry services to the Company. The Board do not consider these non-audit services affect the independence of the lead auditor.

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

There have been no events in the opinion of Directors which have occurred subsequent to balance date and up 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 increased penetration of its human health products in the domestic market whilst pursuing opportunities in Asia and Europe. Additional growth opportunities are being pursued in the form of new products developed in-house or sourced from international markets and possible corporate transactions. The Company will continue to update shareholders on progress made in the above objectives.

### **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. A confidentiality clause in the insurance contract prevents the disclosure of the insurance premium paid. 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

### Diversity Policy

The Company recognises the benefits of attracting and retaining its employees from the widest possible pool of available talent and to that end, is committed to engaging a diverse workforce. The Company presently has a total of 26 employees and contractors, of whom 7 are female, and a number of employees are from differing cultural backgrounds.

### 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 and statutory superannuation where applicable. 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 of cash bonuses paid in the year ended 30 June 2016 if performance targets were met. The achievement of the performance targets for a financial year is ascertained and paid out if met in the following financial year.

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	Start date	Termination Provisions	% fixed remuneration
Bruce Hancox	Chairman	12 Feb 2014	N/A	100%
Dr. Geoff Cumming	Director	23 Jan 2009	N/A	100%
Ian Mitchell	Director	6 Nov 2008	N/A	100%
Jeremy Delk <sup>1</sup>	Director	25 Feb 2014	N/A	100%
Darryl Ellis	Chief Executive Officer	13 Feb 2014	3 months	100%
Michael Jones	GM Operations, Innovations	1 Mar 2008	1 month	93%
Paul Gleeson	National Sales Manager	1 Mar 2008	1 month	95%
Michael Andrews	Chief Financial Officer	10 Nov 2014	1 month	100%

<sup>1</sup> resigned as a Director on 21 August 2015

**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>2016</b>	<b>Short term salary, bonus, fees and leave \$</b>	<b>Post- employment benefits \$</b>	<b>Other long term benefits <sup>2</sup> \$</b>	<b>Share- based payment \$</b>	<b>Total \$</b>
<b><i>Directors</i></b>					
Bruce Hancox	50,000	-	-	-	50,000
Dr. Geoff Cumming	36,000	3,420	-	-	39,420
Ian Mitchell	40,000	-	-	-	40,000
Jeremy Delk <sup>1</sup>	136,623	-	-	-	136,623
<b>Total Directors</b>	<b>262,623</b>	<b>3,420</b>	<b>-</b>	<b>-</b>	<b>266,043</b>
<b><i>Specified Executives</i></b>					
Darryl Ellis	317,989	29,054	885	-	347,928
Michael Jones	203,539	19,475	4,440	-	227,454
Paul Gleeson	211,231	17,100	4,712	-	233,043
Michael Andrews	188,542	17,100	150	-	205,792
<b>Total Specified Executives</b>	<b>921,301</b>	<b>82,729</b>	<b>10,187</b>	<b>-</b>	<b>1,014,217</b>
<b>Grand Total</b>	<b>1,183,924</b>	<b>86,149</b>	<b>10,187</b>	<b>-</b>	<b>1,280,260</b>

<sup>1</sup> resigned 21 August 2015

<sup>2</sup> Amounts disclosed as other long term benefits represent increases in amounts accrued for long service leave as explained in Note 21 to the financial statements

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

2015	Short term salary, bonus, fees and leave \$	Post- employment benefits \$	Other long term benefits <sup>4</sup> \$	Share-based payment \$	Total \$
<b>Directors</b>					
Bruce Hancox	46,667	-	-	-	46,667
Dr. Geoff Cumming	36,000	3,420	-	-	39,420
Ian Mitchell	40,000	-	-	-	40,000
Jeremy Delk	239,506	-	-	-	239,506
Gary Lewis <sup>1</sup>	18,333	-	-	-	18,333
<b>Total Directors</b>	<b>380,506</b>	<b>3,420</b>	<b>-</b>	<b>-</b>	<b>383,926</b>
<b>Specified Executives</b>					
Darryl Ellis <sup>2</sup>	259,992	24,699	386	-	285,077
Michael Jones	191,623	18,204	4,603	-	214,430
Paul Gleeson	244,356	21,195	1,834	-	267,385
Michael Andrews <sup>3</sup>	115,385	10,962	110	-	126,457
<b>Total Specified Executives</b>	<b>811,356</b>	<b>75,060</b>	<b>6,933</b>	<b>-</b>	<b>893,349</b>
<b>Grand Total</b>	<b>1,191,862</b>	<b>78,480</b>	<b>6,933</b>	<b>-</b>	<b>1,277,275</b>

<sup>1</sup> resigned 6 November 2014

<sup>2</sup> appointed CEO 2 December 2014, previously COO

<sup>3</sup> appointed 10 November 2014

<sup>4</sup> Amounts disclosed as other long term benefits represent amounts accrued for long service leave as explained in Note 21 to the financial statements

**Service contracts with Directors and Executives**

Director's services are either contracted through entities controlled by Directors or with the Directors themselves. There are no special terms associated with any Directors service contracts and no additional paid services are supplied by the directors.

**Service contract with Chief Executive Officer**

Darryl Ellis is employed under a service contract that provides for an annual gross salary of \$310,000 plus statutory superannuation of 9.5%. The contract is for a period of two years, beginning 2 December 2014 and may be renewed by the parties after the expiry of 18 months. Apart from serious or wilful misconduct, either party may terminate the contract by giving three month's notice in writing. A short term cash incentive based on the achievement of EBITDA targets was in place for the reporting period, however the targets were not achieved and no payments were made. The following long term incentive scheme is currently in place for Mr. Ellis.

# MEDICAL AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## DIRECTORS' REPORT

A total of 2,500,000 ordinary fully paid shares at \$0.07 each funded by a non-recourse loan are eligible to be issued to Mr. Ellis on the achievement of the following:

- 825,000 shares upon MLA shares achieving a VWAP of 12c for 30 consecutive trading days
- 825,000 shares upon MLA achieving EBIT of \$2.5M
- 850,000 shares upon MLA achieving EBIT of \$4.0M

### Shares and options granted to Directors and senior management as compensation

Other than the Chief Executive's share incentive plan described above, there are no other Director or employee share or option plans currently in existence. All share options granted under past employee share schemes have, as at the reporting date, either expired or been forfeited.

### Equity holdings and transactions

The movement during the reporting period and the prior reporting period in the number of ordinary shares in the Company held by each Director and specified executive, including their personally related entities, is as follows:

<b>Directors</b>	<b>Held at 1 July 2015</b>	<b>Purchased</b>	<b>Sold</b>	<b>Held at 30 June 2016</b>
Bruce Hancox	-	-	-	-
Dr. Geoff Cumming	40,000	-	-	40,000
Ian Mitchell	1,386,382	-	-	1,386,382
Jeremy Delk <sup>1</sup>	1,466,667	-	-	N/A
<b>Specified Executives</b>				
Darryl Ellis	-	-	-	-
Michael Jones	140,000	200,000	-	340,000
Paul Gleeson	-	-	-	-
Michael Andrews	100,000	-	-	100,000

<sup>1</sup> resigned as a Director on 21 August 2015 and balance shown is at that date

<b>Directors</b>	<b>Held at 1 July 2014</b>	<b>Purchased</b>	<b>Sold</b>	<b>Held at 30 June 2015</b>
Bruce Hancox	-	-	-	-
Dr. Geoff Cumming	40,000	-	-	40,000
Ian Mitchell	693,191	693,191	-	1,386,382
Jeremy Delk	1,466,667	-	-	1,466,667
Gary Lewis <sup>1</sup>	2,039,000	-	-	2,039,000
<b>Specified Executives</b>				
Darryl Ellis	-	-	-	-
Michael Jones	140,000	-	-	140,000
Paul Gleeson	-	-	-	-
Michael Andrews	-	100,000	-	100,000

<sup>1</sup> holdings are as at resignation date, 6 November 2014

### End of Audited Remuneration Report

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

---

**Related Parties**

The Directors disclose any conflict of interests in Directors' Meetings 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 2016

In accordance with a resolution of the Board of Directors:

A handwritten signature in blue ink, appearing to read 'Ian Mitchell', is written over a light blue rectangular background.

**Ian Mitchell**  
**Director**

30 September 2016

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 2016, 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.

Nexia Sydney Audit Pty Ltd  
Chartered Accountants

STEPHEN FISHER  
Director

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Consolidated Statement of Comprehensive Income  
For the year ended 30 June 2016

Continuing Operations		Consolidated	
	Notes	June 2016 \$	June 2015 \$
Sale of goods		12,419,938	11,510,774
Cost of goods sold		(7,051,891)	(5,868,220)
<b>Gross profit</b>		<u>5,368,047</u>	<u>5,642,553</u>
<b>Other Revenue</b> – Foreign Exchange Gain		-	74,663
Expenses:			
Administration and consultants	2	(554,179)	(479,680)
Advertising and marketing		(66,032)	(18,575)
Depreciation and amortisation		(162,002)	(139,643)
Employee benefits expenses		(3,002,842)	(2,775,286)
Travel and accommodation		(419,171)	(327,022)
Occupancy costs		(220,600)	(229,672)
Other	2	(557,970)	(535,586)
<b>Profit/(Loss) before interest and income tax</b>		<u>385,251</u>	<u>1,211,752</u>
Financial income		1,325	40,339
Financial expense		(9,322)	(12,524)
<b>Net financing (loss)/gain</b>		<u>(7,997)</u>	<u>27,815</u>
<b>Profit/(Loss) before income tax</b>		377,254	1,239,563
Income tax (expense) benefit	3	34,504	47,387
<b>Profit/(Loss) for the year from continuing operations</b>		<u>411,758</u>	<u>1,286,950</u>
(Loss) from discontinued operations		(5,250,021)	(1,978,475)
<b>Loss for year</b>		<u>(4,838,263)</u>	<u>(691,525)</u>
<b>Other comprehensive Income after income tax</b>			
<b>Items that have been reclassified to profit or loss as specific conditions met:</b>			
Exchange differences on translating foreign operation		112,967	(454,323)
<b>Total comprehensive income/(loss) for the period</b>		<u>(4,725,296)</u>	<u>(1,145,848)</u>



**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Consolidated Statement of Comprehensive Income  
For the year ended 30 June 2016

	<b>Consolidated</b>	
	<b>June 2016</b>	<b>June 2015</b>
	\$	\$
<b>Net profit/(loss) attributable to</b>		
Owners of the parent entity	(4,427,249)	(216,879)
Non-controlling interest	(411,014)	(474,646)
	(4,838,263)	(691,525)
<b>Total comprehensive income/(loss) attributable to</b>		
Owners of the parent entity	(4,314,282)	(531,731)
Non-controlling interest	(411,014)	(614,117)
	(4,725,296)	(1,145,848)
 <b>Earnings per share</b>		
From continuing and discontinuing operations:		
Basic profit/(loss) per share (cents per share)	4 (3.24) cents	(0.17) cents
Diluted profit/(loss) per share (cents per share)	(3.24) cents	(0.17) cents
From continuing operations:		
Basic profit/(loss) per share (cents per share)	4 0.30 cents	1.04 cents
Diluted profit/(loss) per share (cents per share)	0.30 cents	1.04 cents

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Consolidated Statement of Financial Position

As at 30 June 2016

		June 2016	Consolidated June 2015
	Notes	\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	860,711	933,312
Trade and other receivables	6	1,580,940	1,859,043
Inventories	7	2,683,708	2,721,680
Other assets	8	123,058	548,290
<b>TOTAL CURRENT ASSETS</b>		<b>5,248,417</b>	<b>6,062,325</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	211,332	322,026
Investment		-	78,947
Intangible assets	10	3,907,871	6,022,710
<b>TOTAL NON-CURRENT ASSETS</b>		<b>4,119,203</b>	<b>6,423,683</b>
<b>TOTAL ASSETS</b>		<b>9,367,620</b>	<b>12,486,008</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	2,085,696	1,813,227
Income tax payables		-	2,276
Provisions	12	295,944	234,549
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,381,640</b>	<b>2,050,052</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	11	-	2,376
Provisions	12	66,410	84,873
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>66,410</b>	<b>87,249</b>
<b>TOTAL LIABILITIES</b>		<b>2,448,050</b>	<b>2,137,301</b>
<b>NET ASSETS</b>		<b>6,919,570</b>	<b>10,348,707</b>
<b>EQUITY</b>			
Issued capital	13	26,753,918	26,753,918
Equity remuneration reserve	14	146,370	146,370
Non-controlling Interest		-	(1,101,527)
Foreign Currency translation reserve		(60,550)	(368,149)
Accumulated losses	15	(19,920,168)	(15,081,905)
<b>TOTAL EQUITY</b>		<b>6,919,570</b>	<b>10,348,707</b>

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2016

	Issued capital	Equity Remuneration Reserve	Foreign Currency Translation Reserve	Non- Controlling Interests	Accumulated Losses	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 30 June 2014</b>	24,676,311	137,020	(53,297)	(487,410)	(14,865,026)	9,407,598
(Loss) for the year	-	-	-	(474,646)	(216,879)	(691,525)
Other comprehensive income	-	-	(314,852)	(139,471)	-	(454,323)
Total comprehensive (loss)	-	-	(314,852)	(614,117)	(216,879)	(1,145,848)
Equity contributions	2,077,607	-	-	-	-	2,077,607
Cost of share based payments	-	9,350	-	-	-	9,350
<b>Balance at 30 June 2015</b>	26,753,918	146,370	(368,149)	(1,101,527)	(15,081,905)	10,348,707
Profit/(Loss) for the year	-	-	-	(411,014)	(4,427,249)	(4,838,263)
Other comprehensive income	-	-	112,967	-	-	112,967
Total comprehensive (loss)/profit	-	-	112,967	(411,014)	(4,427,249)	(4,725,296)
Derecognition of non-controlling interest upon disposal of discontinued operations	-	-	-	1,512,541	-	1,512,541
Reclassification to profit or loss upon disposal of discontinued operations	-	-	194,632	-	(411,014)	(216,382)
<b>Balance at 30 June 2016</b>	26,753,918	146,370	(60,550)	-	(19,920,168)	6,919,570

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Consolidated Statement of Cashflows

For the year ended 30 June 2016

		Consolidated	
	Notes	June 2016 \$	June 2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		14,073,918	14,945,017
Payments to suppliers and employees		(14,006,724)	(17,315,131)
Cash provided by (used by) operations		67,194	(2,370,114)
Interest paid		-	-
Interest received		-	27,807
R&D grant refund		26,412	-
<b>Net cash provided by (used in) operating activities</b>	20	<u>93,606</u>	<u>(2,342,307)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposing of subsidiary net of cash disposed		173,588	-
Payments for property, plant and equipment		(212,374)	(131,593)
Payments for intangible development assets		(184,386)	(345,782)
Loans to other entities		-	(60,000)
Loans repaid by other entities		45,833	-
<b>Net cash (used in) investing activities</b>		<u>(177,339)</u>	<u>(537,375)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		-	2,077,607
Repayment of borrowings		-	(13,099)
<b>Net cash provided by financing activities</b>		<u>-</u>	<u>2,064,508</u>
Net (decrease) in cash and cash equivalents		(83,733)	(815,174)
Effect of exchange rate on cash holdings in foreign currency		11,132	(8,772)
Cash and cash equivalents at the beginning of the year	5	<u>933,312</u>	<u>1,757,258</u>
<b>Cash and cash equivalents at the end of the year</b>	5	<u>860,711</u>	<u>933,312</u>

The Consolidated Statement of Cashflows should be read in conjunction with accompanying notes

# MEDICAL AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the financial statements

For the year ended 30 June 2016

---

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 Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

The separate financial statements of the parent entity, Medical Australia Limited, have not been presented within this financial report as permitted by Corporations Act 2001.

The financial report was authorised for issue by the board of directors on 30 September 2016.

### **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.

#### **a) 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.

#### **b) 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.

#### **c) 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 2016

---

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 12 - Provisions

### **d) 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 less accumulated impairment 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.

### **e) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits and other short-term highly liquid investments.

### **f) 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.

### **g) 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 2016

---

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

**h) 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 acquired prior to 1 July 2015 is depreciated at rates between 10% and 33.3% per annum using the diminishing value method. Office Equipment acquired from 1 July 2015 is depreciated under the straight line method using a rate of 33.3%
- Plant & Equipment acquired prior to 1 July 2015 is depreciated at rates between 10% and 33.3% per annum using the diminishing value method. Plant & Equipment acquired from 1 July 2015 is depreciated using the straight line method using rates between 20% & 33.3%.
- Furniture and Fittings acquired prior to 1 July 2015 are depreciated at rates between 10% and 30% per annum using the diminishing value method. Furniture & Fittings acquired from 1 July 2015 is depreciated under the straight line method using rates between 16.7% and 33.3%.
- Warehouse Equipment is depreciated at 33% per annum using the diminishing value method.
- Motor Vehicle is depreciated at 20% per annum using the diminishing value method.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

---

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

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

**i) 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.

**j) 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.



**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

---

*Loans and receivables*

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

*Held-to-maturity investments*

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

*Financial liabilities*

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

*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 re-measurements 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 of financial assets*

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.

*De-recognition*

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

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

---

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.

**k) 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.

**l) 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.

**m) 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.

**n) 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.

**o) 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 2016

---

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 2016

---

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.

**p) 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.

**q) Segment reporting**

The Group's primary segment reporting format is business segments as the Group's risks and returns are affected predominantly by differences in the products and services produced.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Operating segments are reported in a manner consistent with internal reporting provided to the board and management.

The Human Health principal activities during the course of the financial year were the development, manufacture and distribution of a range of medical devices.

The Animal Health principal activities during the course of the financial year were the supply and distribution of a range of animal health products.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

**r) 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

# MEDICAL AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the financial statements

For the year ended 30 June 2016

---

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.

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.

### **s) Employee benefits**

#### *Wages, salaries, annual leave, long service leave, sick leave and non-monetary benefits*

Employee benefit provisions for wages, salaries, annual leave, and long service 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 from commencement of service, and the component payable later than 12 months from reporting date is measured at the present value of the estimated future cash flows to be made for those benefits, adjusted by a discount factor and a probability of vesting factor (including on-costs).

### **t) 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.

### **u) 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

# MEDICAL AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the financial statements

For the year ended 30 June 2016

---

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

On consolidation, the assets and liabilities of foreign operations are translated into Australian Dollars at the rate of exchange prevailing at the reporting date and their Statement of

Comprehensive Income are translated at average exchange rates. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of comprehensive income.

### **v) 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.

### **w) 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.

### **x) 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.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

---

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.

**y) Comparative figures**

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

**z) New and amended accounting standards and interpretations**

**(i) New and amended accounting standards and interpretations adopted by the Group**

The Group adopted the following Australian Accounting Standards (new and amended) from the mandatory application date of 1 July 2015. The new and amended Standards are not expected to have a significant impact on the Group's financial statements.

**AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality***

The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.

**AASB 2015-4 *Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent***

The Standard amends AASB 128 to require that the ultimate Australian entity apply the equity method in accounting for an interest in an associate or joint venture, when either the parent or the group is a reporting entity or both the parent and the group are reporting entities. The amendments eliminated an inconsistency with the requirement in AASB 10 for the ultimate Australian parent to present consolidated financial statements.

**(ii) New accounting standards and interpretations not yet adopted**

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 Group when adopted in future periods, are discussed below:

*Applicable to annual reporting periods beginning on or after 1 January 2016, these amendments to Standards are not expected to have a significant impact on the Group's financial statements:*

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

---

**AASB 1057: Application of Australian Accounting Standards**

This Standard deletes the application paragraphs previously contained in each Australian Accounting Standard (or interpretation) and moves them into this Standard. The application requirements of each other Australian Accounting Standard have not been amended.

**AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations (applicable to annual reporting periods beginning on or after 1 January 2016)**

This Standard amends AASB 11: Joint Arrangements to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB 3: Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

The application of AASB 2014-3 will result in a change in accounting policies for the above described transactions, which were previously accounted for as acquisitions of assets rather than applying the acquisition method as per AASB 3.

The transitional provisions require that the Standard should be applied prospectively to acquisitions of interests in joint operations occurring on or after 1 January 2016. As at 30 June 2016, management is not aware of the existence of any such arrangements that would impact the financial statements of the entity upon initial application of the Standard.

**AASB 2014-4: Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)**

These amendments to AASB 116 and AASB 138 clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The standard also clarified that revenue is generally presumed to be an appropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

**AASB 2014-6: Agriculture: Bearer Plants (Amendments to AASB 116 and AASB 141)**

AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants amends AASB 116 and AASB 141 to add a definition of bearer plant and includes bearer plants within the scope of AASB 116 instead of AASB 141.

**AASB 2014-9: Equity Method in Separate Financial Statements (Amendments to AASB 127)**

Amends IAS 27 to permit entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.



**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

---

**AASB 2015-1: Annual Improvements to Australian Accounting Standards 2012-2014**

This Standard makes amendments to various Accounting Standards arising from the IASB's Annual Improvements process, namely:

AASB 5 – changes in methods of disposal from sale to distribution

AASB 7 – applicability of disclosures to servicing contracts and interim financial statements

AASB 119 – clarifies that the government bond rate used in measuring employee benefits should be those denominated in the same currency

AASB 134 – permits the cross referencing of disclosures elsewhere in the financial report

**AASB 2015-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101**

The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project.

**AASB 2015-5: Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception**

The Standard amends AASB 10, AASB 12 and AASB 128:

- a) to confirm that the exemption from preparing consolidated financial statements set out in paragraph 4(a) of AASB 10 is available to a parent entity that is a subsidiary of an investment entity;
- b) to clarify the applicability of AASB 12 to the financial statements of an investment entity; and
- c) to introduce relief in AASB 128 to permit a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture to its subsidiaries.

**AASB 2015-9: Amendments to Australian Accounting Standards – Scope And Application Paragraphs**

These amendments correct previous drafting errors resulting from the introduction of AASB 1057 and reintroduce the scope paragraphs of AASB 8 and AASB 133 into those Standards.

There is no change to the requirements or the applicability of AASB 8 and AASB 133.

*Applicable to annual reporting periods beginning on or after 1 July 2016:*

**AASB 2014-1: Amendments to Australian Accounting Standards (Part D)**

Part D of this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, which arise from the issuance of AASB 14: Regulatory Deferral Accounts in June 2014. AASB 14 permits first-time adopters to continue to account for amounts related to rate regulation in accordance with their previous GAAP when they adopt Australian Accounting Standards. In line with management's assessment of AASB 14, this part is not expected to have a significant impact on the Group's financial statements.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

---

*Applicable to annual reporting periods beginning on or after 1 January 2017, these amendments to Standards are not expected to have a significant impact on the Group's financial statements:*

**AASB 2016-1: Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]**

This Standard amends AASB 112 Income Taxes to clarify the circumstances in which the recognition of deferred tax assets may arise in respect of unrealised losses on debt instruments measured at fair value.

**AASB 2016-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107**

This Standard amends AASB 107 Statement of Cash Flows to include additional disclosures and reconciliation relating to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

*Applicable to annual reporting periods beginning on or after 1 January 2018:*

**AASB 2016-3: Amendments to Australian Accounting Standards – Clarification to AASB 15**

This Standard amends AASB 15 Revenue from Contracts with Customers to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. In addition, it provides further practical expedients on transition to AASB 15. This amended Standard is not expected to have a significant impact on the Group's financial statements.

**AASB 2014-10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to AASB 10 and AASB 128)**

This Standard amends AASB 10 and AASB 128 to remove the inconsistency in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The mandatory application date of AASB 2014-10 has been amended and deferred to annual reporting periods beginning on or after 1 January 2018 by AASB 2015-10. These amended Standards are not expected to have a significant impact on the Group's financial statements.

**AASB 9: Financial Instruments and associated Amending Standards**

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) 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.

# MEDICAL AUSTRALIA LIMITED AND ITS CONTROLLED ENTITIES

## Notes to the financial statements

For the year ended 30 June 2016

---

The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the Directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

### **AASB 15: Revenue from Contracts with Customers**

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract(s);
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract(s); and
- Recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented as per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

Although the Directors anticipate that the adoption of AASB 15 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

---

*Applicable to annual reporting periods beginning on or after 1 January 2019:*

**AASB 16: Leases**

AASB 16 replaces AASB 117 Leases and set out the principles for the recognition, measurement, presentation and disclosure of leases.

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying AASB 107 Statement of Cash Flows.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

This Standard applies to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted provided the entity also applies AASB 15 Revenue from Contracts with Customers at or before the same date.

Although the Directors anticipate that the adoption of AASB 16 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

**NOTE 2 – Profit/(Loss) from continuing operations**

	Consolidated	
	2016	2015
	\$	\$
The following expense items are relevant in explaining the financial performance for the year:		
Administration and consultants expenses:		
- General and administrative	118,416	201,711
- Legal fees	6,244	15,339
- Consultancy fees	429,519	255,630
	554,179	479,680
Other expenses:		
- Audit and review of financial reports	88,950	76,640
- Insurance	159,510	154,493
- Office Warehouse Lab supplies	61,369	34,259
- Telephone & Internet	59,719	121,176
- Regulatory expense	82,923	65,911
- Provision for Doubtful Debts	34,796	-
- Bank Fee	15,411	15,696
- Foreign exchange loss	6,405	-
- Royalty	12,295	8,770
- Staff recruitment & Training	56,015	-
- Overhead Recovery	(45,000)	-
- Other expenses	25,577	58,641
	557,970	535,586

At 30 June 2016, the Group had 24 employees (2015: 27).

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

**NOTE 3 – INCOME TAX BENEFIT**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Numerical reconciliation between income tax benefit and pre-tax net loss</b>		
Profit/(loss) before tax – continuing operations	377,254	1,239,563
Income tax expense/(benefit) using the domestic corporation tax rate of 30%	113,176	371,869
Increase / (decrease) in income tax expense due to:		
- Non-deductible expenses	86,484	68,177
- Non-deductible impairment write down	-	11,737
- Difference in international tax rates	(8,862)	4,792
- Effect of tax losses brought to account	(190,798)	(456,575)
- Research and development tax offset (estimate)	(20,000)	(10,000)
- Over(under) provision for income tax – prior periods	-	(12,896)
- Refund of income tax from prior periods	(14,504)	(24,491)
Income tax expense/(benefit)	(34,504)	(47,387)

As at 30 June 2016 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	10,486,533	11,549,189
Tax effect: Potential income tax benefit – at 30%	2,952,541	2,860,142
– at 35%	-	271,470
– at 23.5%	-	-
– at 20%	128,946	146,670
(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	3,758,879	3,838,718
Tax effect: Potential income tax benefit – at 30%	1,113,172	1,068,707
– at 35%	-	51,894
– at 20%	9,661	6,285

The income tax return for the year ended 30 June 2016 has not been lodged as at the date of this report.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

**NOTE 3 – INCOME TAX BENEFIT (Cont'd)**

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

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

**NOTE 4 – LOSS PER SHARE**

	<b>Consolidated 2016</b>	<b>2015</b>
	\$	\$
Profit/(loss) after income tax attributable to members of the parent entity used to calculate basic EPS	(4,427,249)	(216,879)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted EPS	136,766,031	123,958,865
There are no shares that are dilutive.		
	\$	\$
Profit /(Loss) for the year used to calculate basic and diluted EPS for continuing operations	411,758	1,286,950

**NOTE 5 – CASH AND CASH EQUIVALENTS**

Cash at bank and on hand	810,949	883,550
Term deposits	49,762	49,762
	860,711	933,312

Amounts held in the Company's bank accounts attract variable rates of interest normally associated with business bank accounts. Term deposits as at 30 June 2016 attract an interest rate of 2.15% maturing in 28 February 2017 (2015: 2.6%).

**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	860,711	933,312
	860,711	933,312

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

<b>NOTE 6 – TRADE AND OTHER RECEIVABLES</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Trade debtors	1,619,338	1,929,189
Provision for doubtful debts	(84,904)	(130,733)
	<u>1,534,434</u>	<u>1,798,456</u>
Other receivables	46,507	60,587
	<u>1,580,940</u>	<u>1,859,043</u>
(a) – Movement in Provision for Doubtful Debts		
Opening Balance	130,733	145,638
Charge for the year	(45,829)	13,167
Amount written off	-	(28,072)
Closing Balance	<u>84,904</u>	<u>130,733</u>

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.

**NOTE 7 – INVENTORIES**

**Current**

Finished goods	2,841,641	3,134,591
Impairment	(157,933)	(412,911)
	<u>2,683,708</u>	<u>2,721,680</u>

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. Inventory items are periodically assessed for impairment indicators and as a result of such assessment, the carrying value of inventory is currently written down by \$157,933 (2015: \$412,911) to its recoverable amount.

**NOTE 8 – OTHER ASSETS**

**Current**

Deposits	68,612	362,737
Prepaid expenses	50,280	67,395
Other	4,166	118,158
	<u>123,058</u>	<u>548,290</u>

**NOTE 9 – PLANT AND EQUIPMENT**

Plant and equipment	383,501	392,875
Accumulated depreciation	(278,181)	(334,429)
	<u>105,320</u>	<u>58,446</u>



**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

**NOTE 9 – PLANT AND EQUIPMENT – cont.**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Furniture and fittings	138,083	192,677
Accumulated depreciation	(94,798)	(118,180)
	43,285	74,497
Office equipment	305,905	279,959
Accumulated depreciation	(256,387)	(221,601)
	49,518	58,358
Leasehold Improvements	56,177	212,448
Accumulated depreciation	(52,740)	(93,946)
	3,437	118,502
Motor Vehicles	29,991	29,991
Accumulated depreciation	(20,218)	(17,768)
	9,772	12,223
Total plant and equipment	221,332	322,026

Movement in carrying amounts are as follows:

**Plant and equipment**

Carrying amount at beginning of year	58,446	74,392
Additions	135,125	36,395
Disposals	(46,159)	-
Effective movement in exchange rates	9,627	(3,908)
Depreciation	(51,720)	(48,433)
Carrying amount at year-end	105,319	58,446

**Furniture and fittings**

Carrying amount at beginning of year	74,497	66,540
Additions	15,568	54,134
Additions – Business Acquisition	-	-
Effective movement in exchange rates	(23,423)	4,596
Depreciation	(23,357)	(50,773)
Carrying amount at year-end	43,285	74,497

**Office equipment**

Carrying amount at beginning of year	58,358	17,592
Additions	37,408	52,280
Additions – Business Acquisition	-	-
Disposal	(6,173)	-
Depreciation	(40,075)	(11,514)
Carrying amount at year-end	49,518	58,358

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

**NOTE 9 – PLANT AND EQUIPMENT – cont.**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
<b>Leasehold Improvements</b>	<b>\$</b>	<b>\$</b>
Carrying amount at beginning of year	118,502	90,815
Additions	-	22,917
Disposals	(114,228)	-
Effective movement in exchange rates	-	16,091
Depreciation	(837)	(11,321)
Carrying amount at year-end	3,437	118,502
 <b>Motor Vehicles</b>		
Carrying amount at beginning of year	12,223	65,617
Additions	-	-
Disposals	-	(23,487)
Depreciation	(2,451)	(29,907)
Carrying amount at year-end	9,772	12,223
 <b>Total</b>		
Carrying amount at beginning of year	322,026	314,956
Additions	188,102	165,726
Additions – Business Acquisition	-	-
Disposals	(189,984)	(23,487)
Effective movement in exchange rates	9,627	16,779
Depreciation	(118,439)	(151,948)
Carrying amount at year-end	211,332	322,026

*Estimation of useful lives of assets*

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

**NOTE 10 – INTANGIBLE ASSETS**

Goodwill – TUTA Healthcare	3,409,565	3,409,565
Goodwill on acquisition – Clements	400,000	400,000
Goodwill on acquisition – Medivet	-	1,781,604
	3,809,565	5,591,169
Product Development Costs – Gross	417,739	704,960
Less: Accumulated amortisation	(319,433)	(273,419)
Product Development Costs – Net	98,306	431,541
	3,907,871	6,022,710

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

**NOTE 10 – INTANGIBLE ASSETS – cont.**

The carrying value of all intangible assets were assessed at balance date and no impairment write downs were required.

**Goodwill**

An impairment test for goodwill has been separately performed for the Tuta and Clements businesses as at 30 June 2016. 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 (CGU) is determined on a discounted value basis 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 CGU	Clements CGU
Revenue growth rate	2017: 11.1% 2018-2021: 8%	2017: 39% 2018-2021: 5%
Cost of Goods Sold (% of revenue)	2017-2021: 58%	2017: 47% 2018: 55% 2019: 57% 2020-2021: 59%
Cost of Goods Sold growth rate	2017: 13% 2018: 9% 2019-2021 8%	2017: 7% 2018: 22% 2019-2020: 9% 2021: 5%
Operating Costs growth rate	2017: 12% 2018-2021: 3%	2017: 18% 2018-2021: 3%

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

**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 2016, specific product development costs capitalised as intangible assets have a carrying value of \$98,306 (2015: \$431,541). Product development costs capitalised in the period amount to \$58,561. This represents product development costs for the development of a next generation Clements pump. Costs capitalised to date plus costs estimated to successfully complete these development efforts have been assessed for possible impairment and found to be unimpaired.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

**NOTE 11 – TRADE AND OTHER PAYABLES**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Trade creditors	1,643,586	929,291
Income in advance	21,042	407,840
Payroll liabilities	48,533	73,406
Accruals	372,537	402,690
	2,085,696	1,813,227
<b>Non-current</b>		
Trade creditors	-	2,376

**NOTE 12 – PROVISIONS**

**Current**

Provision for employee annual leave and long service leave entitlements	295,944	234,549
---	---------	---------

**Non-current**

Provision for employee long service leave entitlements	66,410	84,873
--	--------	--------

**(a) Movements in provisions**

Movements in provisions for the financial year are as follows:

**Annual Leave**

Carrying amount at beginning of year	178,013	171,451
Increases to provision	159,284	163,118
Amount utilised	(133,830)	(156,556)
As at 30 June 2016	203,467	178,013

**Long Service Leave**

Carrying amount at beginning of year	141,409	98,874
Increases to provision	17,478	62,805
Amount utilised	-	(20,270)
As at 30 June 2016	158,887	141,409

Current	92,477	56,536
Non-current	66,410	84,873
	158,887	141,409

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.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

**NOTE 13 – ISSUED CAPITAL**

	2016 No.	2016 \$	2015 No.	2015 \$
<b>Fully paid ordinary shares</b>				
Balance at the beginning of the year	136,766,031	26,753,918	102,089,251	24,676,311
Shares issued to consultant on 10 December 2014	-	-	50,000	-
Shares issued on 12 November 2014 at \$0.06 per share	-	-	34,626,780	2,077,607
Balance at the end of the year	<u>136,766,031</u>	<u>26,753,918</u>	<u>136,766,031</u>	<u>26,753,918</u>

Issued capital as at 30 June 2016 amounted to \$26,753,918 (136,766,031 ordinary shares). The movements in the issued capital of the Company in the current year are shown in the above table. Ordinary shareholders participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

	Consolidated	
	2016 \$	2015 \$
<b>NOTE 14 – EQUITY REMUNERATION RESERVE</b>		
Opening balance	146,370	137,020
Share based payment expenses (i)	-	9,350
Closing balance	<u>146,370</u>	<u>146,370</u>

(i) On 10 December 2014 50,000 fully paid ordinary shares were issued for nil consideration to a consultant for services rendered.

At the Company's annual general meeting in November 2015, shareholders approved a share based incentive scheme for the Chief Executive Officer. The details of that scheme are as follows:

A total of 2,500,000 ordinary fully paid shares at \$0.07 all funded by a non-recourse loan are eligible to be issued to Mr. Ellis on the achievement of the following:

- 825,000 shares upon MLA shares achieving a VWAP of 12c for 30 consecutive trading days
- 825,000 shares upon MLA achieving EBIT of \$2.5M
- 850,000 shares upon MLA achieving EBIT of \$4.0M

The shares, yet to be issued, are required under AASB 2 *Share Based Payments*, to have their fair value calculated using an appropriate option pricing model and those costs recognised over the estimated periods required for the shares to vest.

This valuation was performed and resulted in an insignificant value, hence has been recognised as nil.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

**NOTE 14 – EQUITY REMUNERATION RESERVE – cont.**

Details of the options which existed during the year ended 30 June 2015 were as follows:

Grant date	Expiry date	Exercise price	Balance at 1 July 2014	Granted during the year	Exercised during the year	Forfeited during the year	Balance at 30 June 2015	Vested and exercisable at end of the year
		\$	Number	Number	Number	Number	Number	Number
1-Feb-11	14-Jul-14	0.50	125,000	-	-	125,000	-	-
14-Sep-11	3-Sep-14	0.50	125,000	-	-	125,000	-	-
			<b>250,000</b>	-	-	<b>250,000</b>	-	-
Weighted average exercise price			\$0.50	-	-	\$0.50	-	-

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.

**NOTE 15 – ACCUMULATED LOSSES**

	Consolidated	
	June 2016	June 2015
	\$	\$
Accumulated losses at the beginning of the year	(15,081,905)	(14,865,026)
Net profit/(loss) attributable to members of the parent entity	(4,427,249)	(216,879)
Reclassification to profit or loss upon disposal of discontinued operations	(411,014)	-
Accumulated losses at the end of the year	(19,920,168)	(15,081,905)

**Dividends**

No dividends were paid or declared during the year.

**NOTE 16 – DISCONTINUED OPERATIONS**

On 23 June 2015 the Company announced its intention to explore options to divest or dilute its holdings in its animal health business. The assets and liabilities of the animal health business were not classified as held for sale at the Company's last reporting date as certain conditions specified by AASB5 were not met.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

**NOTE 16 – DISCONTINUED OPERATIONS – cont.**

The Company announced on 22 December 2015 that it had sold its 60.5% interest in Medivet America LLC and as a consequence of this, the assets and liabilities of Medivet America LLC are no longer included in the Group's Consolidated Statement of Financial Position. The results of the animal health business up to the date of disposal on 21 December 2015 and associated net loss on disposal of that business are disclosed separately in the current period in the Statement of Comprehensive Income as net loss from discontinued operations. The assets and liabilities disposed of consist of cash, debtors, inventory, trade payables, intercompany provisions and various other provisions. The revenue, results and assets of the discontinued animal health business are presented in Note 12, Segment Reporting – Animal Health. The Geographic Segment of United States is entirely a discontinued operation whilst minor amounts of the discontinued operation are contained within the Australian and other segments. The financial information relating to the discontinued operation for the period to the date of disposal is set out below.

	<b>30 June 2016</b>	<b>30 June 2015</b>
	<b>\$</b>	<b>\$</b>
Revenue	1,695,667	3,486,433
Expenses	(4,390,525)	(5,464,908)
(Loss) before income tax	(2,694,858)	(1,978,475)
Income tax expense	-	-
(Loss) after income tax of discontinued operations	(2,694,858)	(1,978,475)
Loss on disposal of the discontinued operations after tax (i)	(2,555,163)	-
<b>(Loss) from discontinued operations</b>	<b>(5,250,021)</b>	<b>(1,978,475)</b>

**(i) Details of the disposal of the discontinued operations**

		<b>30 June 2016</b>
		<b>\$</b>
Consideration received		210,083
Total disposal consideration		210,083
Carrying amount of net assets sold	(ii)	(4,082,755)
De-recognition of minority interest		1,512,141
		(2,360,531)
Reclassification of foreign currency translation reserve		(194,632)
<b>Loss on disposal of discontinued operation</b>		<b>(2,555,163)</b>

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

**NOTE 16 – DISCONTINUED OPERATIONS – cont.**

<b>(ii) Net Assets Disposed</b>	<b>30 June 2016</b>
	<b>\$</b>
Cash and cash equivalents	34,897
Trade and other receivables	393,918
Inventory	172,413
Property, plant & equipment	234,790
<b>Total assets</b>	<u>836,018</u>
Trade and other payables	935,002
Intercompany payables	3,983,771
<b>Total liabilities</b>	<u>4,918,773</u>
<b>Net assets</b>	<u><b>(4,082,755)</b></u>

**(iii) Net Cashflow**

The net Cash flow of the discontinued operations, which form part of the statement of cash flows are as follows:-

	<b>30 June 2016</b>	<b>30 June 2015</b>
Net cash outflow from operating activities	\$1,123,330	\$1,801,629
Net cash outflow from investing activities	\$158,899	\$345,782
Net cash outflow from financing activities	-	\$13,099
<b>Net cash decrease in cash generated by the discontinued operation</b>	<u>\$1,282,229</u>	<u>\$2,160,510</u>

**NOTE 17 - PARTICULARS IN RELATION TO CONTROLLED ENTITIES**

**Parent Entity**

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

<b>Controlled Entities</b>	<b>Country of Incorporation</b>	<b>Ownership Interest</b>	
		<b>2016</b>	<b>2015</b>
		%	%
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	100
Medivet Holdings International Pty Ltd	Australia	100	100
MediVet Laboratory Services Pty Ltd*	Australia	-	50.5
MediVet Biologics LLC **	United States	-	60.5
MediVet Direct **	United States	-	60.5
BMDI Tuta Healthcare UK Ltd	United Kingdom	100	100

\*disposed 31 December 2015

\*\* disposed 21 December 2015



**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

**NOTE 18 – PARENT ENTITY DISCLOSURE**

Financial Position	Company	
	2016	2015
	\$	\$
<b>Assets</b>		
Current Assets	121,812	619,113
Non-Current Assets	9,593,734	9,807,693
Total Assets	9,715,546	10,426,806
<b>Liabilities</b>		
Current Liabilities	63,566	78,099
Non-Current	72,000	-
Total Liabilities	135,566	78,099
<b>Equity</b>		
Issued Capital	26,753,918	26,753,918
Equity Remuneration Reserve	146,370	146,370
Accumulated Losses	(17,320,308)	(16,551,581)
Total Equity	9,579,980	10,348,710
<b>Financial Performance</b>		
Loss for the year *	(768,727)	(3,844,229)
Other comprehensive income	-	-
Total loss for the year	(768,727)	(3,844,229)

\* includes impairment of investment in and loans to controlled entities of nil at 30 June 2016 (2015: \$3,717,493. The impairment is eliminated on consolidation.

**NOTE 19 – FINANCIAL RISK MANAGEMENT**

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

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

**Credit risk**

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

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

**NOTE 19 – FINANCIAL RISK MANAGEMENT – cont.**

Carrying amount	Consolidated	
	2016	2015
	\$	\$
Cash and cash equivalents	860,711	933,312
Trade and other receivables	1,580,940	1,859,043
	2,441,651	2,792,355

**Cash and term deposits**

The Group mitigates credit risk on cash and cash equivalents by only dealing with regulated banks in Australia, the United States and the United Kingdom.

**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 11.5% (2015: 12%), of the Group's revenue is attributable to sales transactions with one major customer.

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

	Consolidated	
	2016	2015
	\$	\$
Australia	1,420,957	1,447,189
United States	-	349,592
UK	159,983	73,262
	1,580,940	1,869,745

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

	Gross 2016	Impairment 2016	Gross 2015	Impairment 2015
Not past due	1,088,673	-	1,093,462	-
Past due 30 – 60	403,707	-	515,813	-
Past due 61 – 90	14,038	-	83,412	-
Due 90 +	112,920	(84,904)	236,502	(130,733)
	1,619,338	(84,904)	1,929,189	(130,733)

An impairment provision of \$84,904 exists at 30 June 2016 (2015: \$130,733) against customer debts where in the opinion of management, there is a material risk of not collecting those debts.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

**NOTE 19 – FINANCIAL RISK MANAGEMENT – cont.**

**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.

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

<b>Consolidated</b>	<b>Carrying</b>	<b>Less than</b>	<b>Between one</b>	<b>More than</b>
<b>30 June 2016</b>	<b>amount</b>	<b>one year</b>	<b>and five years</b>	<b>five years</b>
<b>Financial liabilities</b>				
Trade and other payables	2,085,696	2,085,696	-	-
Interest bearing liabilities	-	-	-	-
Total contractual outflows	2,085,696	2,085,696		
<b>Financial assets</b>				
Cash and cash equivalents	860,711	860,711	-	-
Trade and other receivables	1,580,940	1,580,940	-	-
Available for sale financial assets	-	-	-	-
Total anticipated inflows	2,441,651	2,441,651		
Net (outflow)/inflow on financial instruments	355,955	355,955		
<b>30 June 2015</b>				
<b>Financial liabilities</b>				
Trade and other payables	1,815,603	1,813,227	2,376	-
Interest bearing liabilities	-	-	-	-
Total contractual outflows	1,815,603	1,813,227	2,376	-
<b>Financial assets</b>				
Cash and cash equivalents	933,312	933,312	-	-
Trade and other receivables	1,859,043	1,859,043	-	-
Available for sale financial assets	78,947	-	78,947	-
Total anticipated inflows	2,871,302	2,792,355	78,947	-
Net (outflow)/inflow on financial instruments	1,055,699	979,128	76,571	-

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.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

**NOTE 19 – FINANCIAL RISK MANAGEMENT – cont.**

**Interest rate risk**

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

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

	Effective Weighted Average Interest Rate		Consolidated	
	2016	2015	2016	2015
	%	%	\$	\$
Cash	-	-	810,949	883,550
Term deposits	2.66	3.20	49,762	49,762
Financial Assets			860,711	933,312
Financial Liabilities			-	-
Net Financial exposure			860,711	933,312

**Interest rate sensitivity analysis**

The following analysis indicates the effect of a 2% or 200 basis point increase or decrease in nominal interest rates, based on exposures in existence at the reporting date, and holding all other variables constant. This represents management's assessment of the reasonably possible change in interest rates as at that date.

**Change in Net Profit:**

Interest rise by 2% (200 basis points)	995	995
Interest cut by 2% (200 basis points)	(995)	(995)

**Change in Equity:**

Interest rise by 2% (200 basis points)	955	995
Interest cut by 2% (200 basis points)	(955)	(995)

**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 2016 approximately 84% (2015: 68%) of the Group's sales were denominated in AUD with the remaining balance in USD. Approximately 90% of the Group's purchases were in foreign currencies, approximately 89% in USD with the remainder in JPY and EURO.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

**NOTE 19 – FINANCIAL RISK MANAGEMENT – cont.**

A sensitivity analysis based on the trade payables as at 30 June 2016 with currencies other than Australian dollars is provided:

**Trade Payables**

	Amount	Exchange Rate at 30 June 2016	AUD Equivalent	10% Unfavourable Movement
JPY	649,995	76.228	8,527	9,380
USD	1,016,882	0.7426	1,369,354	1,506,289
			1,377,881	1,515,669
		<b>Reduction in earnings</b>		(137,788)

**Trade Receivables**

	Amount	Exchange Rate at 30 June 2016	AUD Equivalent	10% Unfavourable Movement
USD	134,533	0.7426	181,165	164,696
				(16,470)
		<b>Reduction in earnings</b>		(16,470)

The Company is party to a number of foreign exchange forward contracts which are taken out as protection against possible future falls in the value of the Australian dollar. The fair value of these contracts as at 30 June has been measured and following which, there was found to be no requirement to make any fair value adjustment to the Statement of Comprehensive Income. The Company's hedging activities have been assessed under AASB 9 and do not meet the criteria under which hedge accounting is required to be done by that standard.

**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.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

**NOTE 19 – FINANCIAL RISK MANAGEMENT – cont.**

The gearing ratio at year end was as follows:

	Consolidated	
	2016	2015
	\$	\$
Financial Assets	-	-
Debt (i)	-	-
Cash and cash equivalents	860,711	933,312
Net Debt	-	-
Equity (ii)	6,919,570	10,348,707
Net Debt to Equity ratio	-	-

- (i) Debt is defined as long-term and short-term borrowings.  
(ii) Equity includes all capital and reserves and non-controlling interest.

**Net fair values of financial assets and liabilities**

**Financial Instruments**

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the value is estimated using inputs for the asset or liability that are not based on observable market data.

The following table gives information about how the fair value of these financial assets and liabilities were 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 16	30 June 15				
Private equity investment - Medivet Lexington	NIL	\$78,947	Level 3	Discounted cashflow	Long-term revenue growth, new products	The higher the revenue growth & the better the acceptance of new products, the higher the fair value
Forward Exchange Contracts	(\$5,777)	-	Level 2	Price comparison to similar instruments	N/A	N/A

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

**NOTE 19 – FINANCIAL RISK MANAGEMENT – cont.**

Quoted market price represents the fair value determined based on quoted prices in active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps, forward commodity contracts and foreign exchange contracts not traded on a recognised exchange.

There were no transfers between Level 1 and Level 2 during the year.

The carrying amounts of all other financial assets and liabilities approximate their net fair values.

**NOTE 20 - CASH FLOW INFORMATION**

	<b>Consolidated</b>	
<b>a. Reconciliation of net (loss)/profit for the year to net cash flows used in operating activities</b>	<b>June 2016</b>	<b>June 2015</b>
	\$	\$
(Loss) for the year before non-controlling interest	(4,838,263)	(691,525)
<b>Adjustments for:</b>		
Depreciation and amortisation of non-current assets	178,487	195,120
Expense recognised in respect of equity-settled share-based payments	-	9,350
Loss from discontinued operations	3,597,546	-
Other movements	103,780	(237,703)
 <b>Movements in working capital (net of movements arising from business combinations)</b>		
Decrease / (increase) in trade and other receivables	278,103	(218,267)
Decrease / (increase) in inventories	37,972	(774,262)
Decrease / (increase) in other assets	425,232	(28,558)
Increase /(decrease) in other provisions	38,280	49,097
Increase /(decrease) in trade and other payables	272,469	(645,559)
<b>Net cash (used) generated in operating activities</b>	93,606	(2,342,307)

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

---

**NOTE 20 - CASH FLOW INFORMATION – cont.**

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

There were no financing or investing activities in the year which were of a non-cash nature.

**NOTE 21 – 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>2016</b>	\$1,183,924	\$86,149	\$10,187	-	\$1,280,260
<b>2015</b>	\$1,191,862	\$78,480	\$6,933	-	\$1,277,275

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

These amounts include fees and benefits paid to the non-executive Chairman 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 costs of providing for superannuation contributions under the Government's superannuation guarantee scheme.

*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 specified executives 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.



**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

**NOTE 22 – RELATED PARTY TRANSACTIONS**

At balance date, the following amounts were receivable/(payable) between group companies:

<b>Receivable/(payable) between group companies and the parent entity</b>	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
BMDi Pty Limited	\$4,151,437	\$4,151,437
BMDi Tuta Healthcare Pty Ltd	\$6,580,238	\$6,740,400
BMDI Tuta Healthcare UK Ltd *	\$166,971	\$1,039,814
Bio Medical Developments International Pty Limited	\$1,674,574	\$1,674,574
Medivet Pty Ltd	(\$72,000)	-
Medivet America LLC	-	\$1,571,290
Provision for impairment	-	(\$1,571,290)
<b>Receivable/(payable) to BMDI Tuta Health Care Pty Limited by:</b>		
BMDI Tuta Healthcare UK Ltd *	\$166,971	\$1,039,814

\*loan to BMDI Tuta Healthcare was partly converted to equity in FY 2016

These amounts are interest free, unsecured, have no fixed term of repayment and are repayable out of future profits. The decrease in the receivable due from BMDi Tuta is a result of certain expenses such as ASX listing and other corporate fees, being paid by BMDi Tuta Healthcare on the parent company's behalf. All amounts were recharged at cost. The payable to Medivet Pty Ltd arose from a transfer of cash.

In addition to the above, the Company has had the following dealings with Director and Key Management Personnel and related entities.

Delk Enterprises, a company controlled by director Jeremy Delk, owns the property in which Medivet America LLC operated from. Rent was payable on an arms-length basis and the amount paid in the reporting period and charged to Occupancy Costs was \$39,639 (2015: \$71,630). There were no amounts outstanding at balance date to Delk Enterprises (2015: nil). Also in the reporting period, the Company purchased products for use in its animal health business from Medivet Trading Hong Kong ("MTHK") totalling \$20,322 (2015: \$187,374). Jeremy Delk was at the time, a shareholder in MTHK. At balance date there are no amounts payable to MTHK (2015: \$65,104). Included in Trade and Other Payables in the Consolidated Statement of Financial Position, are amounts owed for Director fees to Bruce Hancox of \$16,667 (2015: \$61,667) and Ian Mitchell, \$10,000 (2015: \$10,000). Also, the Company has entered into a contract for the provision of consulting services provided by Rachel Jones, the wife of Michael Jones, General Manager of Operations. The sum of \$10,917 has been incurred to date and is included in Trade and Other Payables. Other than 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  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

**NOTE 23 - SEGMENT REPORTING**

The Group has operated in the animal health sector since the acquisition of Medivet Pty Ltd in December 2013 but ceased operations in that segment from December 2015.

<b>Business unit segments 30 June 2016</b>	<b>Human Health \$</b>	<b>Animal Health \$</b>	<b>Elimination \$</b>	<b>Consolidated \$</b>
<b>Revenue</b>				
External segment income	12,419,938	1,695,667	-	14,115,605
Interest income	1,325	-	-	1,325
	<u>12,421,263</u>	<u>1,695,667</u>	<u>-</u>	<u>14,116,930</u>
Less: Revenue from discontinuing operations	-	(1,695,667)	-	(1,695,667)
Revenue from continuing operations	<u>12,421,263</u>	<u>-</u>	<u>-</u>	<u>12,421,263</u>
Interest expense	(9,322)	(13,097)	-	(22,419)
Depreciation expense	(162,002)	(16,485)	-	(178,487)
Tax benefit	34,504	-	-	34,504
<b>Result</b>				
Segment result after tax	411,758	(5,250,021)	-	(4,838,263)
Add: Net Loss from discontinued operations	-	5,250,021	-	5,250,021
Net profit from continuing operations	<u>411,758</u>	<u>-</u>	<u>-</u>	<u>411,758</u>
<b>Assets</b>				
Segment assets	<u>9,367,620</u>	<u>-</u>	<u>-</u>	<u>9,367,620</u>
Including non-current assets acquired during the year:				
Plant & Equipment	135,125	-	-	135,125
Furniture & Fittings	15,568	-	-	15,568
Office Equipment	37,408	-	-	37,408
Leasehold Improvements	-	-	-	-
Motor Vehicles	9,772	-	-	9,772
Intangible assets	58,561	-	-	58,561
	<u>256,385</u>	<u>-</u>	<u>-</u>	<u>256,385</u>
<b>Segment liabilities</b>	<u><b>2,386,240</b></u>	<u><b>61,810</b></u>	<u><b>-</b></u>	<u><b>2,448,050</b></u>

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

**NOTE 23 –SEGMENT REPORTING – cont.**

Business unit segments 30 June 2015	Human Health \$	Animal Health \$	Elimination \$	Consolidated \$
<b>Revenue</b>				
External segment income	11,510,774	3,345,240	-	14,856,014
Interest income	40,339	-	-	40,339
Foreign exchange gain	74,663	141,193	-	215,856
	<u>11,625,776</u>	<u>3,486,433</u>		<u>15,112,209</u>
Less: Revenue from discontinued operations	-	(3,486,433)	-	(3,486,433)
Revenue from continuing operations	<u>11,625,776</u>	-	-	<u>11,625,776</u>
Interest expense	(13,417)	-	-	(13,417)
Depreciation expense	(139,642)	(55,478)	-	(195,120)
Tax benefit	10,000	37,387	-	47,387
<b>Result</b>				
Segment result after tax	<u>1,286,950</u>	<u>(1,978,475)</u>	-	<u>(691,525)</u>
Add: Net loss from discontinuing operations after tax	-	1,941,088	-	1,941,088
Net Profit from continuing operations	<u>1,249,563</u>	-	-	<u>1,249,563</u>
<b>Assets</b>				
Segment assets	<u>12,958,797</u>	<u>2,030,954</u>	<u>(2,503,743)</u>	<u>12,486,008</u>
Including non-current assets acquired during the year:				
Warehouse Equipment	29,282	7,115	-	36,397
Software	34,445	-	-	34,445
Furniture & Fittings	37,402	5,990	-	43,392
Plant & Equipment	10,870	29,407	-	40,277
	<u>111,999</u>	<u>42,512</u>	-	<u>154,511</u>
<b>Segment liabilities</b>	<u>1,613,280</u>	<u>2,629,865</u>	<u>(2,105,844)</u>	<u>2,137,301</u>

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

**NOTE 23 –SEGMENT REPORTING – cont.**

During the year the Group operated within the Human and Animal health care industry in Australia, Asia, United States, and United Kingdom. Operations in all regions within animal health ceased in December 2015.

Geographical segments 30 June 2016	Australia \$	Asia \$	United States \$	United Kingdom \$	Unallocated \$	Consolidated \$
<b>Revenue</b>						
External segment income	10,963,920	588,054	1,426,842	391,141	745,648	14,115,605
Interest income	1,325	-	-	-	-	1,325
	<u>10,965,245</u>	<u>588,054</u>	<u>1,426,842</u>	<u>391,141</u>	<u>745,648</u>	<u>14,116,930</u>
Less: Revenue from discontinuing operations	(253,328)	(730)	(1,426,842)	(9,421)	(5,346)	(1,695,667)
Revenue from continuing operations	<u>10,711,917</u>	<u>587,324</u>	<u>-</u>	<u>381,720</u>	<u>740,302</u>	<u>12,421,263</u>
Interest expense	(9,322)	-	-	-	-	(9,322)
Depreciation expense	(159,256)	-	(16,485)	(2,746)	-	(178,487)
Tax benefit	34,504	-	-	-	-	34,504
<b>Result</b>						
Total segment result after tax	(3,845,155)	-	(1,012,295)	19,187	-	<u>(4,838,263)</u>
Add: net loss/(profit) from discontinued operations	4,108,236	-	1,012,295	129,490	-	5,250,021
<b>Net profit/(loss)</b>	<u>263,081</u>	<u>-</u>	<u>-</u>	<u>148,677</u>	<u>-</u>	<u>411,758</u>
<b>Assets</b>						
Segment assets	9,190,875	-	-	176,745	-	<u>9,367,620</u>
Including non-current assets acquired during the year:						
Plant & Equipment	135,125	-	-	-	-	135,125
Furniture & Fittings	15,568	-	-	-	-	15,568
Office equipment	37,408	-	-	-	-	37,408
Motor vehicles	9,772	-	-	-	-	9,772
Intangible assets	58,561	-	-	-	-	58,561
	<u>256,434</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>256,434</u>
<b>Segment liabilities</b>	<u>2,437,015</u>	<u>-</u>	<u>-</u>	<u>11,035</u>	<u>-</u>	<u>2,448,050</u>

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

**NOTE 23 –SEGMENT REPORTING – cont.**

Geographical segments 30 June 2015	Australia \$	Asia \$	United States \$	United Kingdom \$	Elimination \$	Consolidated \$
<b>Revenue</b>						
External segment						
income	10,184,666	553,435	2,810,052	349,353	958,508	14,856,014
Interest income	40,339	-	-	-	-	40,339
Foreign exchange gain	215,856	-	-	-	-	215,856
	<u>10,440,861</u>	<u>553,435</u>	<u>2,810,052</u>	<u>349,353</u>	<u>958,508</u>	<u>15,112,209</u>
Less: Revenue from discontinuing operations	(370,393)	(55,513)	(2,810,052)	-	(109,058)	(3,345,240)
Revenue from continuing operations	<u>10,070,468</u>	<u>497,922</u>	<u>-</u>	<u>349,353</u>	<u>849,450</u>	<u>11,767,193</u>
<b>Result</b>						
Segment result after tax	508,883	38,300	(1,190,788)	(47,920)	-	<u>(691,525)</u>
Add: Net loss from discontinuing operations	787,687	-	1,190,788	-	-	1,978,475
Net Profit from continuing operations	<u>1,296,570</u>	<u>38,300</u>	<u>-</u>	<u>(47,920)</u>	<u>-</u>	<u>1,286,950</u>
<b>Assets</b>						
Segment assets	<u>14,721,131</u>	<u>-</u>	<u>844,215</u>	<u>228,141</u>	<u>(3,307,479)</u>	<u>12,486,008</u>
Including non-current assets acquired during the year:						
Warehouse Equipment	36,397	-	-	-	-	36,397
Software	34,445	-	-	-	-	34,445
Furniture & Fittings	43,392	-	-	-	-	43,392
Plant & Equipment	17,360	-	22,917	-	-	40,277
	<u>131,594</u>	<u>-</u>	<u>22,917</u>	<u>-</u>	<u>-</u>	<u>154,511</u>
<b>Segment liabilities</b>	<u>1,294,822</u>	<u>-</u>	<u>3,616,014</u>	<u>1,134,857</u>	<u>(3,908,392)</u>	<u>2,137,301</u>

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the financial statements

For the year ended 30 June 2016

**NOTE 23 –SEGMENT REPORTING – cont.**

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.

**NOTE 24 - COMMITMENTS**

**a) Operating Lease Commitments**

	<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Payable:		
Within 1 year	209,004	288,558
Between 1 and 5 years	171,402	378,128
Over 5 years	-	-
	<u>308,406</u>	<u>666,686</u>

The above lease commitments are in respect of the Company’s head office at Lidcombe, NSW. The lease was renegotiated on similar terms with no further increases during the terms increases on identical terms during the period and now has an expiry date of 30 April 2018.

**NOTE 25 – EVENTS SUBSEQUENT TO BALANCE DATE**

No events have occurred subsequent to balance date and up to the date of this report that might affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

**NOTE 26 – AUDITORS’ REMUNERATION**

Remuneration of the auditor of the parent entity for:	<b>\$</b>	<b>\$</b>
Auditing or reviewing the financial report	75,037	70,500
Non-audit services: share registry, tax compliance & other	73,862	18,280
	<u>148,899</u>	<u>88,780</u>
Remuneration of other auditors of subsidiaries for:		
Auditing or reviewing the financial report of subsidiaries	48,654	34,737
Non-audit services: taxation, other	3,614	9,124
	<u>52,268</u>	<u>43,861</u>

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

**DIRECTORS' DECLARATION**

---

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

1. (a) the financial statements and notes set out on pages 13 to 59 and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report, set out on pages 7 to 10, 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 2016 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 2016.
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 2016  
in accordance with a resolution of the Board of Directors:



**Ian Mitchell**  
Director

**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 2016, 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 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.

**Nexia Sydney Audit Pty Ltd**

Level 16, 1 Market Street, Sydney NSW 2000  
PO Box H195, Australia Square NSW 1215  
p +61 2 9251 4600, f +61 2 9251 7138  
info@nexiasydney.com.au, www.nexia.com.au



**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 2016 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 7 to 10 of the directors' report for the year ended 30 June 2016. 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 2016, complies with section 300A of the Corporations Act 2001.

Nexia Sydney Audit Pty Ltd  
Chartered Accountants

STEPHEN FISHER  
Director

Dated this 30<sup>th</sup> day of September 2016  
Sydney

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Additional Securities Exchange  
Information

---

Additional Securities Exchange  
Information

---

Additional information as at 31 August 2016 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.

**Substantial Shareholdings**

At 31 August 2016 the Company held notices for the following substantial shareholders:

WALKER GROUP HOLDINGS PTY LTD	15.7%	21,466,667
UBS NOMINEES PTY LTD	15.2%	20,852,250
MR ANDREW FAY & MRS NARELLE FAY	10.3%	14,825,674
Y Z J TRADING CO PTY LTD	9.4%	12,840,318
GARRY ANDREWS	9.4%	12,787,933
CITICORP NOMINEES PTY LIMITED	7.9%	10,808,551

**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 2016, the distribution of fully paid ordinary shares was as follows:

Range	Total Holder	Fully Paid Ordinary Shares	% Issued Capital
1 - 1,000	109	46,839	0.03%
1,001 - 5,000	148	457,000	0.33%
5,001 – 10,000	71	603,300	0.44%
10,001 – 100,000	176	6,518,288	4.78%
100,001 and over	87	129,140,604	94.42%
		<hr/> 136,766,031 <hr/>	100.00%

At 31 August 2016, 295 shareholders held less than a marketable parcel of 9,260 shares.

**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.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Additional Securities Exchange  
Information

**Consolidated Twenty Five Largest Shareholders**

At 31 August 2016 the consolidated twenty five largest quoted shareholders held 85% of the fully paid ordinary shares as follows:

Rank	Shareholder Group	No. of Ordinary Shares	%
1	WALKER GROUP HOLDINGS PTY LTD	21,466,667	15.7%
2	UBS NOMINEES PTY LTD	20,852,250	15.2%
3	MR ANDREW FAY & MRS NARELLE FAY	14,825,674	10.8%
4	Y Z J TRADING CO PTY LTD	12,840,318	9.4%
5	GARRY ANDREWS	12,787,933	9.4%
6	CITICORP NOMINEES PTY LIMITED	10,808,551	7.9%
7	MRS RASA ROBERTS	2,452,932	1.8%
8	AUCKLAND TRUST COMPANY	2,174,340	1.6%
9	DB GENETICS LLC	2,000,000	1.5%
10	MARK AND SUZANNE DONNISON	1,889,367	1.4%
11	DR DAVID GEORGE MAXWELL WELSH	1,544,666	1.1%
12	MR IAN BURNHAM MITCHELL	1,386,382	1.0%
13	STEVEN J MILLER & CO	1,180,000	0.9%
14	AMNICOLE INVESTMENTS PTY LTD	1,088,889	0.8%
15	TREPLO PTY LIMITED	1,088,889	0.8%
16	THREE PAGODAS PTY LTD	1,048,889	0.8%
17	CORDATO PARTNERS	1,029,457	0.8%
18	JOHN WARDMAN & ASSOCIATES P/L	950,000	0.7%
19	MR MATTHEW DONALD DEEKS	945,000	0.7%
20	MR LESLIE HAROLD FRANCIS	916,667	0.7%
21	MR GARY ANDREW CAMP	800,167	0.6%
22	MR MICHAEL HUTCHINSON	733,333	0.5%
23	MR KENNETH MCDONALD	733,333	0.5%
24	J P MORGAN NOMINEES AUSTRALIA	706,883	0.5%
25	SCRIPT TO SCREEN PTY LTD	674,781	0.4%
	<b>Top 25</b>	<b>116,925,368</b>	<b>85.5%</b>
	Other	19,840,663	14.5%
	<b>Total</b>	<b>136,766,031</b>	<b>100.0%</b>

# CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2016

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.

---

## ***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.
- the Board undertakes appropriate security checks before appointing a Director or allowing a Director to nominate for re-election as a Director of the Company and provides Shareholders with any relevant results of such checks.
- the Company has a written agreement with each Director and senior executive setting out the terms of their appointment.

### **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 Executive Officer to the Remuneration and Nomination Committee whenever senior executives are engaged.

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

---

## ***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 three Directors. No Directors are involved in management, but have experience as Directors in public listed companies.

All present Directors are independent 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;

# CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2016

- 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 Executive 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 Executive 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. It is Chaired by an independent Director. The Committee implements 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 the 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. The Chairman is an independent Director.

### Professional advice

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

# CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2016

## 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.

## **2.7 Nomination Committee**

The members of the Nomination Committee, the number of times it meets and the attendance thereat is set out in the Annual Report.

---

## ***Principle 3 – Act Ethically and Responsibly***

### **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 is included on the Company's website.

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. The policy is disclosed on the Company's website.

### **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 of 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.

---

## ***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

# CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2016

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

Three 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.

## 4.5 Status of Financial Statements

Before it approves the Company's Financial Statements for each period the Board receives from the Chief Executive Officer and the Chief Financial Officer a declaration that in their opinion the financial records of the Company have been properly maintained, comply with appropriate financial standards and give a true and fair view of the financial position and performance of the Company and the basis of its risk management and internal control systems and its effective operation.

## 4.6 Auditor attendance at Meetings

The external auditor attends the AGM of the Company and is available to answer questions in relation to the audit thereat.

---

## ***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 on the Company's website.

---

## ***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 the details of the Company's Structure, its governance and 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 as requested (usually with the Notice of Annual General Meeting); and is displayed on the companies website
- 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 and Shareholders' questions may be directed to members of the Board.

---

## ***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. At each of its monthly meetings 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 system the risk management functions and oversight of material business



# CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2016

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 CFO declarations**

The Board has determined that the Chief Executive Officer and the Chief Financial Officer 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 also satisfies itself that the internal control system is operating effectively in all material respects.

### **7.4 Internal Controls and Risk Management**

- the Board conducts evaluations regarding internal control and risk management;
- the Board receives the assurance of compliance from the Chief Executive Officer and Chief Financial Officer
- 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.

---

## ***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;
- Independent Directors; and
- an independent Chairman, who is not chairman of the board.

### **8.3 Remuneration policy**

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 Executive 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 Executive Officer remuneration is made up of fixed remuneration;
- The salary component of Non-executive Directors is made up of fixed remuneration.
- An Incentive Share Scheme is proposed as additional to the salary component of the Chief Executive Officer's remuneration as announced by the Company on 10 March 2015.
- The Company discloses the names of Directors in the Remuneration & Nomination Committee in its Annual Report as well as the number of times such Committee has met and attendance at such meetings;
- 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**

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.