Medical Developments International

16th February 2018

HALF-YEAR REPORT

Pursuant to listing rule 4.2A, please find following Medical Developments International's Consolidated Half-Year Report and associated results announcement, which should be read in conjunction with the most recent annual financial report.

Mark Edwards
Company Secretary

Medical Developments International Limited ABN 14 106 340 667
4 Caribbean Drive Scoresby Victoria 3179 Australia **Postal Address** PO Box 9004 Scoresby Victoria 3179 Australia
Telephone +61 3 9547 1888 **Fax** +61 3 9547 0262 **Web** www.medicaldev.com

Chairman's and CEO's Report

Building blocks in place

Medical Developments International Limited. ('MDI') (ASX: MVP) delivered results in line with expectations. Gross Revenue of $8 million (H1FY17 $8.2 million) and Net Profit after Tax of $127,000 (H1FY17 $410,000) for the six months ended 31 December 2017. The building blocks are now in place for sales growth as we commence sales into all 22 new European countries, Mexico, Canada, Saudi Arabia and Hong Kong and consolidate and grow our Respiratory Device sales into the USA, Europe and elsewhere.

Key Achievements for H1FY18

Penthrox®

- Regulatory approval for Penthrox® in 22 European countries through Decentralised Procedure (DCP), with 5 new country Marketing Authorisations already achieved
- Marketing Authorisations and sales for each country expected commencing H2FY18 (with the first order for Austria received)
- 115 hospital formulary approvals received in France
- 90 hospital formulary approvals received in the UK and Ireland
- Regulatory approval in Mexico
- Pre-clinical work to get Penthrox® approved in the USA almost complete
- Regulatory submissions and preparations ongoing in USA, Saudi Arabia, Hong Kong, Canada, Iran, South Korea, Iraq, Jordan and Russia
- First patient enrolled in Paediatric study in the UK and Ireland
- Good progress on other clinical trials
- Penthrox® included in JRCALC in UK for use in ambulances

Respiratory Medical Devices

- Completed a deal with Walgreens in the USA to supply 2000 stores
- Space Chamber Plus now in circa 13,000 pharmacies
- 115% growth in Respiratory Device revenue (USA)
- Sales growth of 21% in UK and Europe
- Launched new Respiratory Device into Australian markets
- Good progress in development of Breath-A-Tech® anti-static range of devices
- Launched veterinary respiratory devices into the USA

Other

- Manufacturing facility in Scoresby approved by TGA and European authorities
- Production of Penthrox® using new technology due to commence Q3FY18
- CSIRO project ahead of expectations with small scale production runs for two drugs
- Continued investment in clinical development programs and trials
- MVP has 6 Patent and Patent applications
- MVP has Trademarks in over 30 countries
- Received R&D Tax Incentive concession of $412,000

Penthrox® Sales

France

Penthrox® was launched in the French and Belgium markets in February 2017 and feedback from these markets is very positive. France now has **approval from 115 hospitals** which are buying and using Penthrox®. In market sales are growing.

UK and Ireland

In the UK and Ireland, Galen continues to make good progress, and in December 2017 MVP supplied its third order post launch in the UK and Ireland. Galen continues to grow Penthrox® sales into hospitals in the UK and Ireland. Since late October another ten hospitals have approved the use of Penthrox®. **90 hospitals have now approved Penthrox®** into formulary listing and are using the product. These include seven of the eleven Major Trauma Centres in the UK.

The Joint Royal College Ambulance Liaison Committee ('JRCALC') approved the use of Penthrox® across all Ambulance services in the UK during November 2017. Penthrox® is expected to be rolled out across the UK and Galen advise three ambulance services have adopted Penthrox® and a number of Ambulance Trusts are actively engaging in protocol assessments.

Penthrox® is available for use in all Ambulance Services in Ireland and continues to be rolled out across the country and Dublin Fire Brigade placed its first order for Penthrox®.

New Zealand

Following the listing of Penthrox® as the first line analgesic for New Zealand ambulance and the removal of Nitrous Oxide as a competitor, sales have trebled compared to H1FY17.

Australia

Sales to Doctors and Hospitals were at a record level in H1FY18. This reflects the increasing acceptance and utility of Penthrox® in Hospitals in Australia.

Sales to Ambulance grew 1%.

Penthrox® global expansion

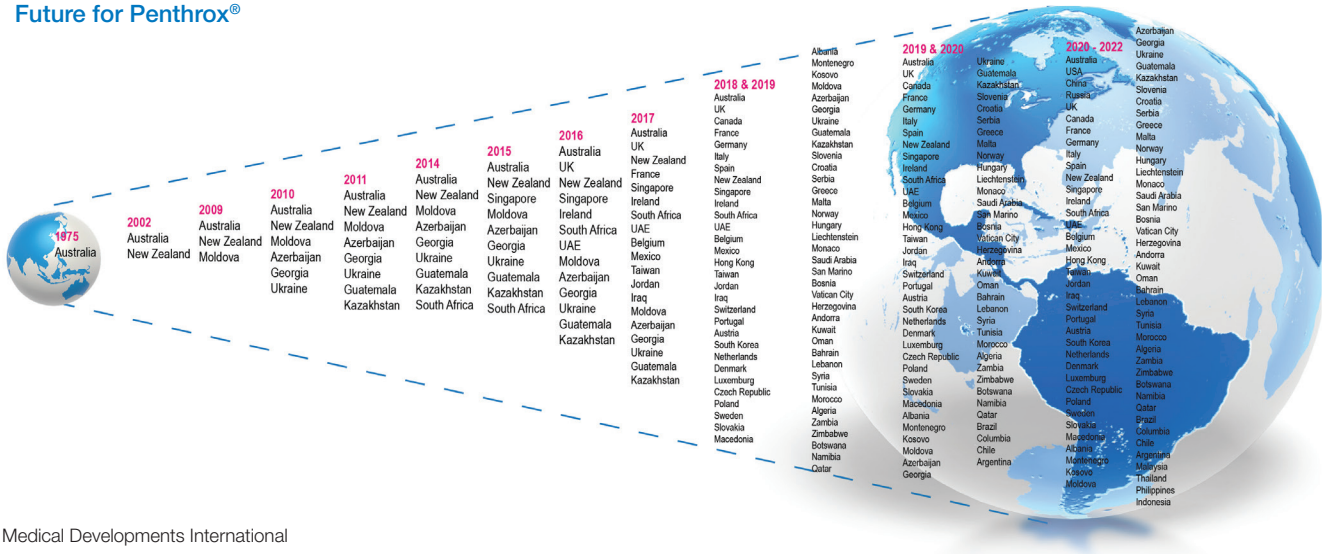
In December Penthrox® was approved through a European Decentralised Procedure (DCP) for use in Austria, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, Germany, Iceland, Italy, Latvia, Lithuania, Luxembourg, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden.

National Regulatory Applications have already been submitted and five Marketing Authorisations have already been received. Sales are expected to commence from April 2018.

In addition, 'National Regulatory Applications' are expected to be filed with the relevant agencies in the Netherlands, Greece, Macedonia, Serbia, Albania, Liechtenstein, Montenegro, Kosovo, San Marino, Vatican City, Bosnia and Herzegovina, Andorra and Monaco in due course. Submissions and approvals to sell Penthrox® in these countries are expected during 2018 and beyond.

Elsewhere in the world, regulatory submissions and preparations for submissions are ongoing in the USA, Canada, Iran, Hong Kong, Saudi Arabia, Jordan and South Korea.

Future for Penthrox®



United States of America

Recent developments in the USA around opioid addiction and abuse make the clinical need and market opportunity for Penthrox® more urgent. Given the public and legislative bias expressed by the USA government and its Food Drug Administration (FDA) against the use of opioids, Penthrox® as a non-opioid / non-narcotic, fast acting, safe, easy to use, store and administer acute pain drug thereby offers a compelling solution.

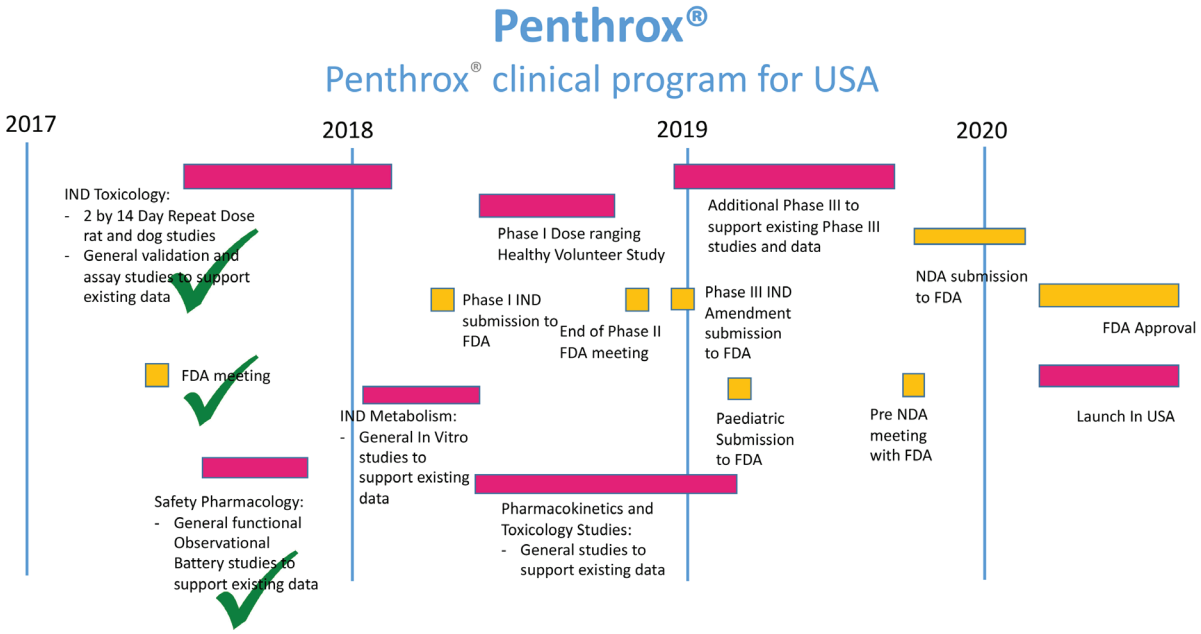
In May 2017, MVP met with the FDA to discuss and confirm our proposed regulatory program designed to have Penthrox® approved for sale in the USA. That meeting was positive and MVP has completed most of the clinical and non-clinical studies required to open an IND, which we believe to be the critical step in the pathway to approval. The clinical and non-clinical work in several cases repeats work done elsewhere. The data collected so far reconfirms what we already know and what has already been accepted by regulators in Europe and elsewhere.

Most importantly, we expect to submit our application to have our Investigational New Drug applications accepted in the first half of calendar 2018.

We are also planning to submit a **'Fast Track'** application to the FDA at the time of our IND submission. The 'Fast Track' application is a process designed to facilitate the development and expedite the review of drugs to treat serious conditions and fill an unmet medical need in the USA. The purpose is to get important new drugs to the patient earlier.

We reconfirm our expectation that Penthrox® could be approved by the FDA for sale in the United States of America during 2020.

MVP continues to discuss its commercial plans to sell Penthrox® in the United States with several interested parties.



Respiratory Developments

Our respiratory device business grew strongly in the United States and Europe. Our Australian business sales fell 6% on a direct comparison with H1FY17 because we launched 6 new products during H1FY17 and received strong 'first stocking' orders.

Overall gross revenue from respiratory devices was flat.

Gross sales into the USA market **grew 115%** and we continue to build our business in that market. We are well on the way to establishing ourselves as a major supplier of respiratory devices in the USA. We expect to deliver significant sales growth in that market in the years ahead.

Sales into Europe and the UK **grew 21%** and this region continues to make a significant contribution to the profits of our business.

Clinical Developments

MVP continues to invest heavily in our clinical and research programs. Our ambition is to extend the use of Penthrox® into Acute Pain applications including Surgical Procedures, Breakthrough Pain and ultimately Home Use. Together with our partners we have begun developing clinical programs to expand the indication for use of Penthrox® to acute pain procedures in the European Union. The benefit of this extension will be available to both our partners in Europe and, more importantly, it will provide essential clinical data to have the market opportunity for Penthrox® extended in jurisdictions worldwide. By way of example, we believe the market for Surgical Procedures is bigger than the global opportunity for Penthrox® in Trauma Pain, our traditional market.

Our longer-term ambition is to gather sufficient clinical and safety data to extend the use of Penthrox® into:

a. minor surgical procedures

b. breakthrough post-operative and cancer pain

c. repeat use scenarios; and ultimately

d. home use

Commercial Developments

New Manufacturing Facility

Our new purpose-built state of the art manufacturing facility in Scoresby was completed during 2017 and was audited and approved by the TGA and European regulatory authorities. MVP is still waiting for the TGA to issue the GMP Licence which is expected in the next few weeks. Once the GMP Licence is issued the production of methoxyflurane can begin. To give some perspective as to the capability of our new technology, we expect to manufacture the equivalent of our global 2017 demand for Penthrox® within 6 weeks of production.

Our facility will also house MVP's state of the art R&D product testing laboratories.

CSIRO Project

In June of 2017, MVP entered into an agreement with the CSIRO to further develop our manufacturing technology and capability for application to other pharmaceutical products. Our collective ambition is to develop the next generation of manufacturing technologies to make pharmaceutical products at a significantly reduced cost and improved quality, compared with traditional processes. This project is progressing well and showing encouraging early signs. In two instances we have successfully made generic pharmaceutical products in the laboratory using our new technology. We have moved into small scale production runs for both products and expect to have the results for our first product during Q3FY18. We are well ahead of our internal expectations and excited by the potential value this project may create for shareholders.

Penthrox®: Rest of World

MVP continues to negotiate with interested parties from around the world in terms of registering and selling Penthrox®. A number of key markets are drawing strong interest and we are encouraged by the responses we are getting from interested parties looking to partner Penthrox® in the USA, China and Asia. We are confident new distribution deals and registrations will be achieved in due course.

Product Development

In November MVP filed an additional Patent Application protecting a new Penthrox® delivery device technology. To date and in total, we have filed six Patent Applications to protect Penthrox®.

MVP also refiled its Patent Application to protect its new Penthrox® manufacturing technology and we expect valuable intellectual property to be generated from our CSIRO project in due course.

MVP expects to submit additional patent applications as we extend our respiratory product offering in the future.

Veterinary

Our Vet business grew 2% in H1FY18. We recently signed a significant deal with one of the USA's largest veterinary medical device companies. We have received our first order for our range of vet respiratory devices worth more than $100,000 and we are hopeful this will develop into a million dollar business in the USA.

FY18 Half Year Financial Result

Financial Result

$'000	H1FY18	H1FY17
Revenue (Gross)	8,016	8,233
Revenue (Net)	7,802	8,054
Gross Margin	5,582	5,540
GM%	72%	69%
Expenses	4,710	4,355
EDITDA	872	1,185
NPAT	127	410

Overall Sales of Penthrox®

Sales of Penthrox® were in line with H1FY17. The initial stocking order delivered in H1FY17 for France and Belgium was not replicated during the current period and a large order from Qatar was delayed until H2FY18. This shortfall accounts for over $1m and was largely replaced by the growth in sales in Australia and New Zealand.

Overall Medical Devices Revenue

We delivered good growth in the USA and Europe, but in Australia, Breath-A-Tech® sales were behind H1FY17. This is due to the launch of 6 new products into the Breath-A-Tech® range during H1FY17 which resulted in an excellent 'sell in' period. Whilst the underlying sales rate continues to grow for Breath-A-Tech® the initial uptick in sales experienced in H1FY17 as a result of the 'stock in' was not replicated.

Expenses

Operating Expenses were in line with expectations and circa $400,000 more than H1FY17. MVP experienced increased 'pharmacovigilance' costs as a result of expanding geographic sales for Penthrox® and Medical Devices. Marketing expenses were also increased. Most other expenses are in line with H1FY17. MVP is not budgeting for a significant increase in operating expenses moving forward.

MVP continues to invest in our business and people. MVP has employed an additional 32 people since the beginning of 2016 to cater for the workload resulting from the ongoing registration activity and planned new market launches over the next 6-18 months. We are now well placed for the future and do not expect further significant investment.

Outlook

MVP's ambition is to globalise Penthrox®, and in doing so, make it the mainstream analgesic of choice around the world.

Over the next 12 months we expect to:

- Commence sales into all 22 new European countries, Mexico, Canada, Saudi Arabia and Hong Kong
- Consolidate and grow our Respiratory Device sales in the USA, Europe and elsewhere
- Submit an IND for the USA
- Submit a 'New Drug Application' to the Food & Drug Administration in the USA
- Begin production in our manufacturing facility
- Conclude additional distribution partnerships for Penthrox® and Respiratory Devices for new countries
- Advance work on producing other analgesic and pharmaceutical products using the intellectual property that is our new manufacturing process; and
- Continue our clinical program to extend the indication for use of Penthrox® globally

Over the next few years our global market approvals and 'indication extensions' are expected to deliver strong growth for our company. We recently achieved new market approvals in 22 European countries and expect to have another 15 new countries approved during 2019

Our Respiratory Devices are leaders in the field. We will continue our global expansion and in particular, build our USA business.

We expect to deliver new partnership deals, expand our product offering and grow sales significantly.

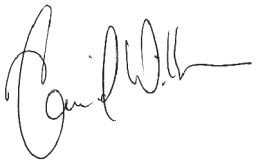
Our initiative to develop new production technologies is progressing as well as we could have hoped for and we have identified several potential products which we think will deliver value to shareholders.

Further Information:

Medical Developments International

MR JOHN SHARMAN
CHIEF EXECUTIVE OFFICER

+61 3 9547 1888



MR DAVID WILLIAMS
CHAIRMAN

+61 414 383 593

ABN 14 106 340 667

Consolidated Half-Year Report (Appendix 4D)

Financial Half-Year Ended 31 December 2017

(Previous corresponding period: Half-year ended 31 December 2016)

Medical Developments International Limited ABN 14 106 340 667
4 Caribbean Drive Scoresby Victoria 3179 Australia **Postal Address** PO Box 9004 Scoresby Victoria 3179 Australia
Telephone +61 3 9547 1888 **Fax** +61 3 9547 0262 **Web** www.medicaldev.com

Medical Developments International

Results for Announcement to the Market

The following information is provided in accordance with ASX Listing Rule 4.2C.3

	Half-year ended 31 Dec 2017 $000	Half-year ended 31 Dec 2016 $000	Percentage increase/ (decrease)
Revenue From Ordinary Activities	7,802	8,054	(3.1%)
Earnings before Interest and Tax	143	539	(73.5%)
Net Profit After Tax	127	410	(69.0%)
Cash and Cash Equivalents	913	5,525	(83.5%)
Basic EPS (cents)	0.21	0.71	(70.4%)
Net Tangible Asset Per Share (cents)	(10.2)	(0.2)	5,000%

Dividends

The Board of Directors have declared a fully franked interim dividend of 2 cents per share to the holders of fully paid ordinary shares as at the record date of 5 March 2018 to be paid to shareholders on 13 April 2018.

MVP intends to implement a Dividend Reinvestment Plan which will allow shareholders to use the proceeds from the Interim Dividend to purchase MVP shares at a 5% discount to the volume weighted average price of all of the company's full paid shares sold on the ASX during the 10 trading days immediately before the record date.

The following is the timetable in relation to the Interim Dividend:

Key Dates	**Event**
16 February 2018	Declaration of Interim Dividend
5 March 2018	Record Date for eligible shareholders to receive dividend
26 March 2018	Date for shareholders to elect to participate in Dividend Reinvestment Plan
13 April 2018	Payment Date

For a brief explanation of the figures above refer to the review of operations attached.

Medical Developments International

Consolidated Half-Year Report for the Half-Year Ended 31 December 2017

Contents

Directors' Report

The directors of Medical Developments International Limited ("MDI") herewith submit the financial report of Medical Developments International Limited and its subsidiary (the Group) for the half-year ended 31 December 2017. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the company during or since the end of the half year are:

- Mr D J Williams (Non-Executive Chairman)
- Mr R M Johnston
- Mr A D McCallum
- Dr H F Oxer
- Mr L Hoare
- Mr P Powell

Review of Operations

A detailed review of the operations of the company during the half-year and the results of these operations is set out in the accompanying results announcement.

Auditor's Declaration of Independence

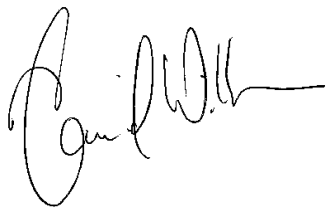
The auditor's independence declaration under s.307C in relation to the review is included on page 4.

Rounding Off of Amounts

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financials / Directors' Reports) Instrument 2016/191, accordingly amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors.



David Williams
Chairman
Melbourne, 16 February 2018

Deloitte Touche Tohmatsu
ABN. 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

The Board of Directors
Medical Developments International Limited
4 Caribbean Avenue
SCORESBY VIC 3179

16 February 2018

Dear Board Members

Medical Developments International Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Medical Developments International Limited.

As lead audit partner for the review of the financial statements of Medical Developments International Limited for the half year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Samuel Vorwerg
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
ABN. 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

Independent Auditor's Review Report to the members of Medical Developments International Limited

We have reviewed the accompanying half-year financial report of Medical Developments International Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2017, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the Directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 15.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Medical Developments International Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Medical Developments International Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Deloitte.

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Samuel Vorwerg
Partner
Chartered Accountants
Melbourne, 16 February 2018

Directors' Declaration

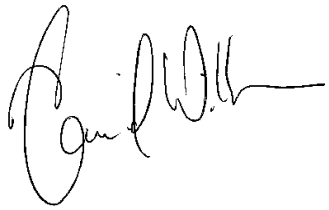
The directors declare that:

a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



David Williams
Chairman
Melbourne, 16 February 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2017

	Half-year ended	
	31 Dec 2017 $'000	31 Dec 2016 $'000
Gross revenue from sale of goods and contracts	8,016	8,233
Less discounts and claims	(214)	(179)
Net revenue from sale of goods and contracts	7,802	8,054
Cost of sales	(2,220)	(2,514)
Gross Profit	5,582	5,540
Other income	-	11
Distribution expenses	(473)	(517)
Marketing expenses	(1,568)	(1,191)
Occupancy expenses	(369)	(285)
Administration expenses	(1,491)	(1,654)
Regulatory and registration expenses	(1,071)	(908)
Finance Expenses	(25)	(4)
Other expenses	(467)	(445)
Profit before income tax expense	118	547
Income tax benefit/(expense)	9	(137)
Profit for the period	127	410
Items that may be reclassified subsequently to profit or loss, net of income tax		
Exchange differences on translating foreign operations	15	(5)
Total Comprehensive Income for the period	142	405
Profit attributable to:		
Owners of the parent	127	410
Total Comprehensive Income attributable to:		
Owners of the parent	142	405
Earnings per Share:		
Basic (cents per share)	0.21	0.71
Diluted (cents per share)	0.21	0.71

Notes to the financial statements are included on pages 12-15

Medical Developments International

Condensed Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	31 Dec 2017 $'000	30 Jun 2017 $'000
Current Assets			
Cash and cash equivalents		913	1,691
Trade and other receivables		3,116	5,232
Inventories		2,844	2,424
Current tax receivable		1,476	209
Other		415	323
Total Current Assets		8,764	9,879
Non-Current Assets			
Plant and equipment	4	7,948	6,637
Deferred tax asset		-	1,282
Goodwill		9,095	9,095
Other intangible assets		18,302	15,092
Total Non-Current Assets		35,345	32,106
Total Assets		44,109	41,985
Current Liabilities			
Trade and other payables		2,681	2,737
Provisions		302	346
Borrowings	5	130	146
Other	6	2,112	2,077
Total Current Liabilities		5,225	5,306
Non-Current Liabilities			
Provisions		209	159
Borrowings	5	3,786	283
Deferred tax liabilities		149	221
Other	6	13,393	14,416
Total Non-Current Liabilities		17,537	15,079
Total Liabilities		22,762	20,385
Net Assets		21,347	21,600
Equity			
Issued capital		15,793	15,008
Reserves		279	264
Retained earnings		5,275	6,328
Total Equity		21,347	21,600

Notes to the financial statements are included on pages 12-15

Condensed Consolidated Statement of Changes in Equity

For the Half-Year Ended 31 December 2017

	Half-year ended 31 December 2017				
	Issued capital $'000	Retained earnings $'000	Employee equity settled benefits reserve $'000	Foreign Currency Translation Reserve $'000	Total $'000
Opening balance at 1 July 2017	15,008	6,328	331	(67)	21,600
Profit for the period	-	127	-	-	127
Exchange differences on translation of foreign operations	-	-	-	15	15
Total Comprehensive Income	-	127	-	15	141
Dividends Paid	-	(1,180)	-	-	(1,180)
Dividends reinvested in the forms of shares	590	-	-	-	590
Option issue	200	-	-	-	200
Equity raising costs	(5)	-	-	-	(5)
Closing balance at 31 December 2017	15,793	5,275	331	(52)	21,347

	Half-year ended 31 December 2016				
	Issued capital $'000	Retained earnings $'000	Employee equity settled benefits reserve $'000	Foreign Currency Translation Reserve $'000	Total $'000
Opening balance at 1 July 2016	11,916	6,852	318	(61)	19,025
Profit for the period	-	410	14	-	424
Exchange differences on translation of foreign operations	-	-		(3)	(3)
Total Comprehensive Income	-	410	14	(3)	421
Dividends Paid	-	(1,167)	-	-	(1,167)
Dividends reinvested in the forms of shares	571	-	-	-	571
Share issue	2,000	-	-	-	2,000
Equity raising costs	(10)	-	-	-	(10)
Closing balance at 31 December 2016	14,477	6,095	332	(64)	20,840

Notes to the financial statements are included on pages 12-15

Condensed Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2017

	Half-year ended 31 Dec 2017 $'000	Half-year ended 31 Dec 2016 $'000
Cash flows from operating activities		
Receipts from customers	8,875	7,690
Payments to suppliers and employees	(7,321)	(7,500)
Milestone and Upfront Payments	-	4,482
Receipts from Government grants	50	256
Interest paid	(25)	(4)
Income tax refund/(paid)	(48)	(2,204)
Net cash provided by operating activities	1,531	2,720
Cash flows from investing activities		
Interest received	-	11
Payment for plant and equipment	(1,518)	(2,574)
Payments for other intangible assets	(3,731)	(1,605)
Net cash used in investing activities	(5,249)	(4,168)
Cash flows from financing activities		
Payments for hire purchase	(27)	(26)
Dividends paid (net of DRP)	(589)	(596)
Proceeds from share issue	-	2,000
Share issue transaction costs	(5)	(10)
Proceeds from borrowing	3,514	-
Net cash provided by financing activities	2,893	1,368
Net decrease in cash held	(825)	(80)
Cash at the beginning of the half-year	1,691	5,620
Effects of exchange rate changes on the balance of cash held in foreign currencies	47	(15)
Cash at the end of half-year	913	5,525

Notes to the financial statements are included on pages 12-15

Notes to the Condensed Consolidated Financial Statements

For the Half-Year Ended 31 December 2017

1. Significant accounting policies

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of Preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financials / Directors' Reports) Instrument 2016/191, accordingly amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the financial year ended 30 June 2017, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

There has been no change in accounting standards impacting the financial statements in the current period.

At the date of authorisation of the financial report, the following Australian Accounting Standards and Interpretations relevant to The Group have recently been issued or amended but are not yet mandatory and have not been early adopted by the consolidated entity for the half year reporting period ended 31 December 2017:

Standard/Interpretation	Effective for the annual reporting period beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2018	30 June 2019
AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions	1 January 2018	30 June 2019
AASB 16 'Leases' replace AASB 117 Leases	1 January 2019	30 June 2020

The adoption of the above Accounting Standards and Interpretations may affect the accounting for future transactions or arrangements.

Changes in accounting policy – capitalising regulatory labour costs

In the second half of the year ended 30 June 2017 the Group voluntarily changed its account policy in relation to capitalising deferred registration costs, with this change then applied for the full year ended 30 June 2017. The Group now capitalises specific internal labour time spent on key Regulatory and Clinical Development projects rather than expensing them to the income statement, which has been the historical practice. This change in policy was first applied in the 2017 full year financial report however as the previous year's interim financial report had been prepared applying the previous treatment of expensing such costs, which would result in the required restatement of the comparative period income statement. The total required restatement to the comparative income statement for previously expensed labour cost would be a decrease in expenses of $163,000 (and a net after tax increase of $114,000). This restatement was not applied on the grounds of being immaterial.

Change in accounting policy – deferred tax measurement relating to indefinite life intangible assets

During the period, the IFRS Interpretations Committee issued its agenda decision related to the expected manner of recovery of indefinite life intangible assets. The Committee was asked to clarify how an entity determines the expected manner of recovery of an intangible asset with an indefinite useful life for deferred tax measurement purposes. The Committee indicated that the fact that an entity does not amortise an indefinite life intangible asset does not necessarily mean that the carrying amount will be recovered only through sale and not use. Therefore, the entity should determine the expected manner of recovery of the carrying amount of the intangible asset. Previously the Group measured deferred tax liabilities on the assumption of the tax consequences that would arise solely from the sale of the assets. Under its new policy, the Group considers its expected manner of recovery.

The Group has implemented this guidance on a retrospective basis as a change in accounting policy to AASB 112 Income Taxes. The impact on the 30 June 2017 financial statements was to increase Goodwill and Deferred Tax Liabilities by $221,500.

2. Segment information

Products and services within each business segment

For management purposes, the company is organised into three business units – pharmaceuticals, medical devices and veterinary products. These units are the basis on which the company reports its primary segment information. The principal products and services of each of these divisions are as follows:

- Pharmaceuticals – the sale of Penthrox® primarily within Australia, New Zealand, Europe and UK, and some sales in Asia, the Middle East and South Africa
- Medical Devices – the sale of medical devices, particularly the Space Chamber and Breath-Alert Peak-Flow meters, primarily within Australia and New Zealand, and some sales in Asia, Europe, the Middle East and North America
- Veterinary Products – the sale of veterinary products worldwide

Segment revenues and results

	Pharmaceuticals		Medical Devices		Veterinary		Unallocated		Total	
	Half-year ended		Half-year ended		Half-year ended		Half-year ended		Half-year ended	
	31 Dec 2017 $'000	31 Dec 2016 $'000	31 Dec 2017 $'000	31 Dec 2016 $'000	31 Dec 2017 $'000	31 Dec 2016 $'000	31 Dec 2017 $'000	31 Dec 2016 $'000	31 Dec 2017 $'000	31 Dec 2016 $'000
Revenues:										
External revenue (gross)	3,732	4,032	2,946	3,021	299	294	-	-	6,977	7,347
Sales discounts and claims	-	-	(214)	(179)	-	-	-	-	(214)	(179)
Sales revenue (net)	**3,732**	**4,032**	**2,732**	**2,842**	**299**	**294**	**-**	**-**	**6,763**	**7,168**
Milestone and licence revenue	1,039	886	-	-	-	-	-	-	1,039	886
Total revenue (net)	**4,772**	**4,918**	**2,732**	**2,842**	**299**	**294**	**-**	**-**	**7,802**	**8,054**
Results:										
Profit before interest, income tax, depreciation & amortisation	**2,247**	**2,153**	**(24)**	**131**	**134**	**159**	**(1,485)**	**(1,258)**	**872**	**1,185**
Depreciation & Amortisation	(582)	(530)	(77)	(67)	(11)	(8)	(59)	(41)	(729)	(646)
Profit before interest and tax	**1,665**	**1,623**	**(101)**	**64**	**123**	**151**	**(1,544)**	**(1,299)**	**143**	**539**
Net interest							(25)	7	(25)	7
Profit before income tax							**(1,569)**	**(1,292)**	**118**	**547**
Income tax expense							9	(137)	9	(137)
Net profit for the period from continuing operations							**(1,560)**	(1,429)	**127**	**410**

	Pharmaceuticals		Medical Devices		Veterinary		Unallocated		Total	
	31 Dec 2017	30 Jun 2017	31 Dec 2017	30 Jun 2017	31 Dec 2017	30 Jun 2017	31 Dec 2017	30 Jun 2017	31 Dec 2017	30 Jun 2017
Assets and Liabilities										
Assets	29,574	26,415	9,251	10,034	1,028	1,063	4,255	4,473	44,109	41,985
Liabilities	-	-	-	-	-	-	22,762	20,164	22,762	20,164

	Pharmaceuticals		Medical Devices		Veterinary		Unallocated		Total	
	31 Dec 2017 $'000	31 Dec 2016 $'000	31 Dec 2017 $'000	31 Dec 2016 $'000	31 Dec 2017 $'000	31 Dec 2016 $'000	31 Dec 2017 $'000	31 Dec 2016 $'000	31 Dec 2017 $'000	31 Dec 2016 $'000
Other Segment Information										
Acquisition of segment assets	4,905	3,536	181	221	41	30	122	392	5,249	4,179

Geographical Information	Revenue from external customers 31 Dec 2017 $000's	%	Revenue from external customers 31 Dec 2016 $000's	%
Australia	4,758	70.4%	4,741	75.1%
New Zealand	452	6.7%	277	2.1%
International	1,553	23.0%	2,148	22.8%
	6,763	100.0%	7,168	100.0%

3. Dividends

A final dividend in relation to the 30 June 2017 year was declared and paid during the current 6-month period.

A fully franked dividend of 2 cents per share was declared in relation to the 31 December 2016 comparative period.

Refer also to note 7 below for details of the dividend declared in respect of the half year ended 31 December 2017.

4. Plant and Equipment

	31-Dec-17 $'000	30-Jun-17 $'000
Plant and equipment	7,948	6,637

The increase in plant and equipment during the period is attributed mainly due to the acquisition of equipment and completion of the fit out of the Scoresby based Penthrox manufacturing facility.

5. Borrowings

The group has an available Bank Bill Facility of $11m as at 31 December 2017 that expires in August 2019. The loan bears interest at variable market rates and requires ongoing interest repayments, with principal repayments commencing from September 2018. The loan also features an offset and redraw facility.

6. Non-Current Liabilities - Other

	31-Dec-17 $'000	30-Jun-17 $'000
Revenue received in advance	14,864	15,886
Unearned government grant income	641	607
	15,505	16,493
Current	2,112	2,077
Non-current	13,393	14,416
	15,505	16,493

Other non-current liabilities relate to unamortised upfront and milestone payments. For accounting purposes these payments are deferred and amortised into the income statement over the term of the agreement to which the payments relate.

7. Subsequent events

On the 16th February 2018 the Board of Directors declared a fully franked interim dividend of 2 cents per share to the holders of fully paid ordinary shares as at the record date of 5 March 2018, to be paid to the shareholders on the 13 April 2018. This dividend has not been included as a liability in these financial statements.

There has not been any other matter or circumstance that has arisen since the end of the half-year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future years.

8. Contingencies and commitments

There has been no significant changes to contingent liabilities, contingent assets or commitments since 30 June 2017.