Medical Developments International
Appendix 4D

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 2019 $000	Half-year ended 31 Dec 2018 $000	Percentage increase/ (decrease)
Revenue from Ordinary Activities	10,895	9,520	14.4%
Earnings before Interest and Tax	215	136	58.1%
Net Profit After Tax	240	132	81.8%
Cash and Cash Equivalents	23,153	32,273	(28.3%)
Basic EPS (cents)	0.37	0.21	76.2%
Net Tangible Asset Per Share (cents)*	3.07	13.46	(77.2%)

**- inclusive of right of use 'lease asset'*

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 6 March 2020 to be paid to shareholders on 17 April 2020.

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**
19 February 2020	Declaration of Interim Dividend
6 March 2020	Record Date for eligible shareholders to receive dividend
27 March 2020	Date for shareholders to elect to participate in Dividend Reinvestment Plan
17 April 2020	Payment Date

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

19th February 2020

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

Overview

Medical Developments International Limited ("MDI") (ASX: MVP) announced Net Profit after Tax **up 82%** to $240,000 (H1FY19 $132,000) and Gross Revenue **up 15%** to $11.2 million (H1FY19 $9.8 million) for the six months ended 31 December 2019. EBITDA was **up 21%** to $1,503,000 (H1FY19 $1,241,000).

Penthrox® revenue continues to grow strongly with multiple international launches still to occur. To date Penthrox® has launched in-market in the UK, Ireland, France, Belgium, Slovakia, Sweden, Denmark, Norway, Finland, Poland, Switzerland, Portugal, Slovenia, Croatia, Austria, Italy and the Czech Republic.

The Company recorded strong growth in respiratory device sales, driven by the performance of North America **(up 88%)**, our Australian business **(up 44%)** including Breath-A-Tech® **(up 31%)** and Europe and the UK **(up 73%)**.

Key Achievements for H1FY20

Penthrox®

- **In market sales in the UK grew 42%**
- **Australian Penthrox® sales grew 18%**
- **Australian Penthrox® sales to GPs grew 54%**
- **European sales up 35%**
- **China IND approval**
- **Russian Marketing Authorisation Application lodged**
- **Russian Milestone payment received from partner**
- **Penthrox® launch in Italy**
- **386 customers in France**
- **182 customers across the rest of Europe**
- **608 customers in the UK and Ireland**
- **Approved for use by UK Military and given a NATO number**
- **Progressing USA IND**
- **Progressing South Korea approval**
- **Progressed the Paediatric Study in the UK and Ireland (65% recruitment)**
- **Nearing finalisation of the Post Authorisation Safety Study Clinical Report**

Respiratory Medical Devices

- **USA sales grew 49%**
- **UK and European sales grew 73%**
- **Australian sales grew 44%**
- **Global respiratory device sales up 49%**

Other

- **New 5-year agreement with CSIRO for Continuous Flow technology**
- **Continued investment in clinical development programs and trials**
- **Received R&D Tax Incentive concession of $431,000**

United States of America

In response to the FDA's feedback, the required pre-clinical animal study is now underway and is due for completion in Q3 2020.

MVP expects to be in a position to address in full, all the clinical hold issues during the third quarter of CY20 with a view to refiling our IND in CY20.

MVP remains confident we will be able to supply the FDA with the additional information it requires. Our confidence is based on 30+ years of experience, the demonstrated safety profile of Penthrox® over that time, the additional clinical data we have to support our IND including our Post Authorisation Safety Study, PK study, our ongoing clinical development program and our recent achievements in getting Penthrox® approved for sale in more than 40 countries around the world.

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

Europe

In October 2019, Penthrox® was included and recommended as ***"first-line of treatment"*** in the European Society of Emergency Medicine ("EUSEM") guidelines for the "Management of acute pain in emergency situations". In addition, the MEDITA clinical study was published in Europe demonstrating Penthrox® superiority over Standard of Care and IV morphine for acute trauma pain treatments in patients. These events should prove to be pivotal moments for Penthrox® in Europe.

There are 568 customers buying Penthrox® in Europe, including 386 in France. We believe that number will grow strongly as awareness builds and new launches are rolled out. We believe that the number of customers in Europe will grow to between 5,000 and 10,000 as Penthrox® becomes a mainstream analgesic in every European market. Sales were up 35% in the EU.

The German regulatory reimbursement environment for pharmaceuticals remains unpredictable. The result is the Penthrox® launch in Germany is delayed as we work on plans to launch into the private market during CY20.

UK and Ireland

In the UK and Ireland, Galen continues to make good progress. In-market sales **grew 42%** in the current period. **131 hospitals have now approved Penthrox®** and 608 customers are using the product. Evaluations continue within the UK ambulance setting and penetration within the UK ambulance market is expected during CY20. Penthrox® has been approved for use by the UK Military and given a NATO number, which allows other NATO military organisations access to Penthrox®.

New Zealand

Penthrox® continues to perform strongly in New Zealand since being listed as the "first line" analgesic for New Zealand ambulance, and nitrous oxide being removed as a competitor. New Zealand sales **grew 24%**.

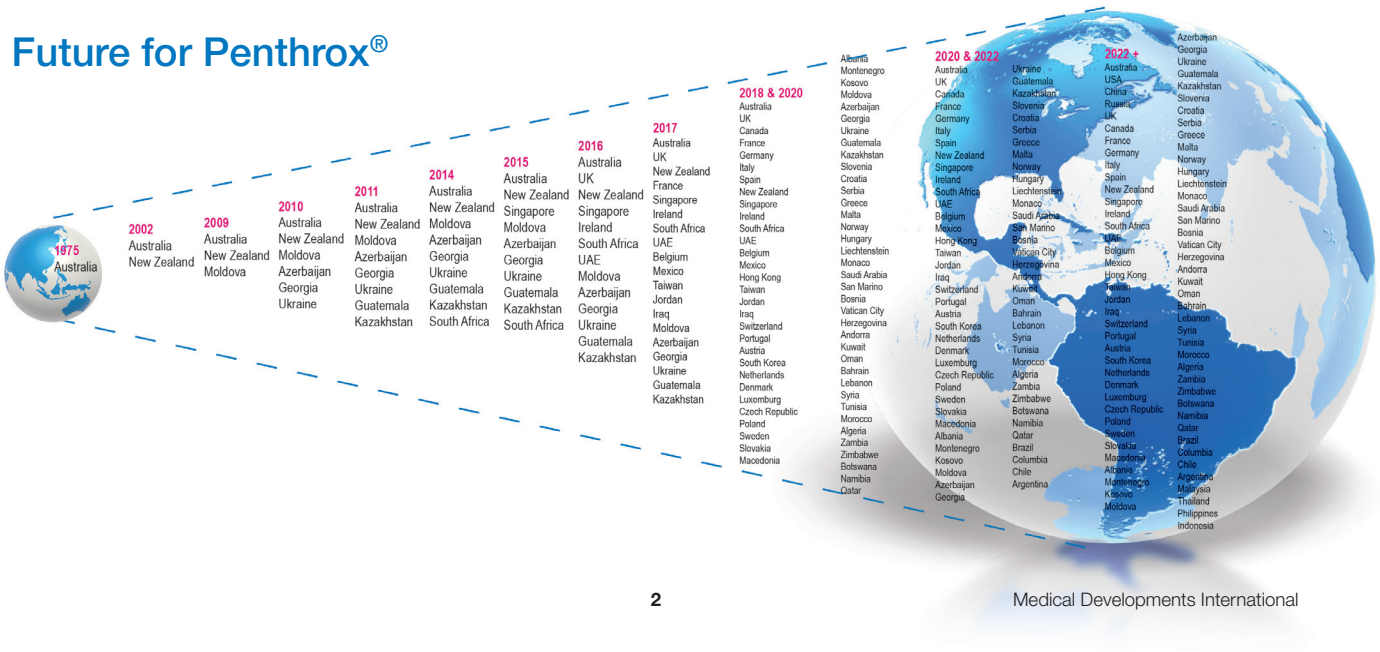
Australia

Australian sales **grew 18%** in the current period. Sales to GPs **grew 54%**. This is an encouraging result and an early sign that our partnership with Mundipharma Australia will drive future sales growth.

Rest of World

MVP continues to negotiate with interested parties around the world about registering and selling Penthrox®.

Future for Penthrox®



Respiratory

Overall sales from respiratory devices **grew 49%**. Our respiratory device business grew strongly in the United States **up 49%**, Canada **up 207%** and UK and Europe **up 73%**. Our Australian business sales were **up 44%**, led by our premium brand Breath-A-Tech® **up 31%**.

Gross sales into the USA market have grown strongly as 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 driven by a combination of new product releases and new distribution deals. We are now ranged in an estimated 20,000 pharmacies.

Commercial

Continuous Flow

In October MVP signed a new 5 year "global exclusive" agreement with the CSIRO to develop our continuous flow technologies. This initiative has the potential to deliver large commercial benefits over traditional "batch" API manufacturing methods and in the process revolutionise the way some pharmaceuticals are made. This includes reducing the overall cost of manufacturing APIs by reducing cost of goods, capital expenditure, factory footprint, energy consumption while delivering significant improvements in process and quality.

The development of new continuous flow processes is progressing well for several target APIs, with Lidocaine our most advanced project to date. We are working to build and qualify a commercial scale "100kg run capacity" which will validate our commercial and scientific claims. We have not completed this final step, but remain confident. We have met with and begun commercial discussions with several global manufacturers of Lidocaine.

There are a number of other drugs we are progressing including Sevoflurane (anaesthetic), Diclofenac (anti-inflammatory), and Leflunomide (immunosuppressive for arthritis). There are more than 100 drugs on our target list of potentially successful candidates and we are pleased with the progress of this project. We remain confident it will deliver several valuable commercial opportunities to our business in the future.

Veterinary

Our Vet business declined 56% in H1FY20.

FY20 Half Year Result

Sales

Global gross sales were **up 17%**, driven by growth within the Pharmaceutical and Medical segments.

Gross Margins

Gross Margins remain strong and largely consistent with the prior year at 67%.

Expenses

Operating Expenses increased 15%. This increase is due to:

- increased "pharmacovigilance" cost as a result of expanding geographic sales for Penthrox® and Medical Devices;
- "non cash" Share Based Payments expense associated with the Senior Manager Long-Term Incentive Program introduced part way through FY19;
- "non cash" depreciation expenses (change of accounting standard);
- "non cash" foreign exchange loss compared to the prior period; and
- increased investment in R&D

Allowing for Share Based Payments, increased depreciation and foreign exchange, operating expenses were **up 6%**. All other expenses were in line with prior period.

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:

- complete roll out of Penthrox® into remaining European Union countries, Mexico, Iran, Jordan, South Korea and Thailand;
- consolidate and grow our Respiratory Device sales in the USA, Europe and elsewhere;
- re-submit a response to the FDA clinical hold and resubmit our IND for Penthrox® in the USA;
- conclude additional distribution partnerships for Penthrox® and Respiratory Devices for new countries;
- advance our continuous flow intellectual property and our new manufacturing processes; and
- continue our clinical program to extend the indications for use of Penthrox® globally.

Over the next few years our global market approvals and "indication extensions" for Penthrox® are expected to deliver strong growth, as will our respiratory device business. We are also optimistic we will begin to commercialise products from our continuous flow technology.

We look forward to reporting our progress and successes.

Further Information:

Medical Developments International

MR JOHN SHARMAN
CHIEF EXECUTIVE OFFICER

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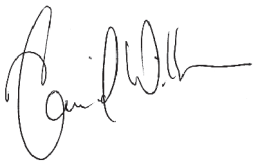

MR DAVID WILLIAMS
CHAIRMAN

+61 414 383 593

ABN 14 106 340 667

Consolidated Half-Year Report

Financial Half-Year Ended 31 December 2019

(Previous corresponding period: Half-year ended 31 December 2018)

Medical Developments International Limited ABN 14 106 340 667
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Telephone +61 3 9547 1888 **Fax** +61 3 9547 0262 **Web** www.medicaldev.com

Consolidated Half-Year Report for the Half-Year Ended 31 December 2019

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Directors' Report

The directors of Medical Developments International Limited ("MDI") herewith submit the financial report of Medical Developments International Limited and its subsidiaries (the Group) for the half-year ended 31 December 2019. 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 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

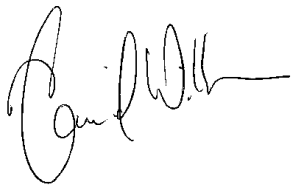
The auditor's independence declaration under s.307C in relation to their review of the half year report is included on page 3.

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, 19 February 2020

Deloitte Touche Tohmatsu
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Melbourne VIC 3000

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

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

19 February 2020

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 2019, 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

Travis Simkin
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
ABN. 74 490 121 060

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Melbourne VIC 3000

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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 2019, 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 Group.

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 2019 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 2019 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

Travis Simkin
Partner
Chartered Accountants
Melbourne, 19 February 2020

Directors' Declaration

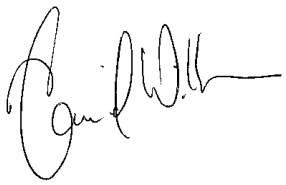
The directors declare that:

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, 19 February 2020

Medical Developments International

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Half-Year Ended 31 December 2019

	Half-year ended	
	31 Dec 2019 $'000	31 Dec 2018 $'000
Gross revenue from sale of goods and contracts	11,186	9,759
Less discounts and claims	(291)	(239)
Net revenue from sale of goods and contracts	10,895	9,520
Cost of sales	(3,602)	(3,247)
Gross Profit	7,293	6,273
Other income (interest)	227	110
Distribution expenses	(633)	(607)
Marketing expenses	(1,357)	(1,528)
Occupancy expenses	(628)	(644)
Administration expenses	(1,976)	(1,474)
Regulatory and registration expenses	(1,664)	(1,275)
Finance Expenses	(69)	(59)
Other expenses	(820)	(610)
Profit before income tax expense	373	186
Income tax benefit/(expense)	(133)	(54)
Profit for the period	240	132
Items that may be reclassified subsequently to profit or loss, net of income tax		
Exchange differences on translating foreign operations	6	8
Total Comprehensive Income for the period	246	140
Profit attributable to:		
Owners of the parent	240	132
Total Comprehensive Income attributable to:		
Owners of the parent	246	140
Earnings per Share:		
Basic (cents per share)	0.37	0.21
Diluted (cents per share)	0.36	0.21

Notes to the financial statements are included on pages 11-16

Medical Developments International

Condensed Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	31 Dec 2019 $'000	30 Jun 2019 $'000
Current Assets			
Cash and cash equivalents		23,153	25,620
Trade and other receivables		4,609	6,384
Inventories		4,057	3,049
Other		444	301
Total Current Assets		32,263	35,354
Non-Current Assets			
Plant and equipment		11,525	8,558
Deferred tax asset	5	902	2,129
Goodwill		9,095	9,095
Other intangible assets		33,306	29,665
Total Non-Current Assets		54,828	49,447
Total Assets		87,091	84,801
Current Liabilities			
Trade and other payables		4,551	3,406
Provisions		357	357
Current tax payable		897	2,020
Lease liability		321	-
Borrowings		91	91
Other	6	2,418	2,521
Total Current Liabilities		8,635	8,395
Non-Current Liabilities			
Provisions		335	302
Lease liability		3,045	-
Borrowings		91	91
Other	6	30,571	31,425
Total Non-Current Liabilities		34,042	31,818
Total Liabilities		42,677	40,213
Net Assets		44,414	44,588
Equity			
Issued capital		40,816	40,410
Reserves		1,998	1,508
Retained earnings		1,600	2,670
Total Equity		44,414	44,588

Notes to the financial statements are included on pages 11-16

Condensed Consolidated Statement of Changes in Equity

For the Half-Year Ended 31 December 2019

	Half-year ended 31 December 2019					
	Issued capital $'000	Retained earnings $'000	Employee equity settled benefits reserve $'000	CSIRO Option Reserve $'000	Foreign Currency Translation Reserve $'000	Total $'000
Opening balance at 1 July 2019	40,410	2,670	711	800	(3)	44,588
Profit for the period	-	240	-	-	-	240
Exchange differences on translation of foreign operations	-	-	-	-	6	6
Total Comprehensive Income	-	240	-	-	6	246
Share Based Payment	-	-	284	-	-	284
Dividends Paid	-	(1,310)	-	-	-	(1,310)
Dividends reinvested in the forms of shares	415	-	-	-	-	415
Options issued to the CSIRO	-	-	-	200	-	200
Equity raising costs	(9)	-	-	-	-	(9)
Closing balance at 31 December 2019	40,816	1,600	995	1,000	3	44,414

	Half-year ended 31 December 2018					
	Issued capital $'000	Retained earnings $'000	Employee equity settled benefits reserve $'000	CSIRO Option Reserve $'000	Foreign Currency Translation Reserve $'000	Total $'000
Opening balance at 1 July 2018	16,121	4,209	331	400	(20)	21,041
Profit for the period	-	132	-	-	-	132
Exchange differences on translation of foreign operations	-	-	-	-	8	8
Total Comprehensive Income	-	132	-	-	8	140
Share Based Payment	-	-	130	-	-	130
Dividends Paid	-	(1,268)	-	-	-	(1,268)
Dividends reinvested in the forms of shares	417	-	-	-	-	417
Options issued to the CSIRO	-	-	-	200	-	200
Share issue via capital raising	24,475	-	-	-	-	24,475
Equity raising costs	(1,043)	-	-	-	-	(1,043)
Closing balance at 31 December 2018	39,970	3,073	461	600	(12)	44,092

Notes to the financial statements are included on pages 11-16

Medical Developments International

Condensed Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2019

	Half-year ended 31 Dec 2019 $'000	Half-year ended 31 Dec 2018 $'000
Cash flows from operating activities		
Receipts from customers	11,355	9,201
Payments to suppliers and employees	(8,778)	(7,211)
Milestone and Upfront Payments	200	20,845
Other income	61	16
Receipts from Government grants	53	53
Interest paid - lease asset	(60)	-
Interest paid - bank	-	(59)
Income tax paid	(26)	(9)
Net cash provided by operating activities	2,805	22,836
Cash flows from investing activities		
Interest received	271	59
Payment for plant and equipment	(554)	(1,022)
Payments for other intangible assets	(4,269)	(4,260)
Net cash used in investing activities	(4,552)	(5,223)
Cash flows from financing activities		
Payments for hire purchase	-	(11)
Dividends paid (net of DRP)	(896)	(852)
Proceeds from share issue	200	24,675
Share issue transaction costs	(8)	(1,041)
Lease repayments	(96)	-
Repayment of borrowings	-	(8,969)
Net cash (used in)/provided by financing activities	(800)	13,802
Net (decrease)/increase in cash held	(2,547)	31,415
Cash at the beginning of the half-year	25,620	794
Effects of exchange rate changes on the balance of cash held in foreign currencies	80	64
Cash at the end of half-year	23,153	32,273

Notes to the financial statements are included on pages 11-16

Notes to the Condensed Consolidated Financial Statements

For the Half-Year Ended 31 December 2019

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. 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 2019, 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.

AASB 16 *Leases*

The Group has adopted the new lease accounting standard AASB 16 *Lease* from 1 July 2019. AASB 16 introduces significant changes to lessee accounting by removing the classification of leases as either operating or finance leases as required by AASB 117 and instead introduces a single lessee accounting model.

Applying that model, a lessee is required to:

- Recognise assets and liabilities for all leases with a term of more than 12 months in the Consolidated Statement of Financial Position initially measured at the present value of the future lease payments, unless the underlying asset is of low value;
- Recognise amortisation of lease assets separately from interest on lease liabilities in the Statement of Profit or Loss;
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the Consolidated Cash Flow Statement.

The Group has elected to apply the modified retrospective approach for leases. For leases, which were classified as operating leases under AASB 117, the Group has recognised right-of-use assets and lease liabilities as at the transition date (1 July 2019). The Group did not have any leases previously classified as finance leases on the adoption date.

The Group has elected to apply the recognition exemption for leases of low-value assets or short-term leases including office equipment such as printers and other IT equipment for use by staff in its office.

Accounting policy as a lessee

Right-of-use assets
The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use assets are periodically reduced by impairment losses in accordance with AASB 136 *Impairment of Assets*, if any, and adjusted for certain remeasurement of the lease liability. The right of use asset is included with property, plant and equipment in the consolidated statement of financial position.

Lease liabilities
The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate as the discount rate. The weighted average incremental borrowing rate used to calculate the lease liabilities as of 1 July 2019 was 3.55%.

Lease payments included in the measurement of the lease liability comprise the following:
- Fixed payments, including in substance fixed payments less any lease incentives receivables;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement rate;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- Payment of penalties for early termination of a lease unless the Group is reasonably certain not to terminate early

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is measured at amortised cost using the effective interest method. It will be remeasured when there is a change in discount rate for future lease payments, a change in the Group's estimated amount payable under a residue value guarantee or changes in the Group's assessment of probabilities of exercising a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Group did not make any such adjustment during the period presented.

Short-term leases and leases of low-value assets
The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of office and IT equipment that have a lease term of 12 months or less or for leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Impact on financial statements

The effect on 1 July 2019 of the recognition of the new right-of-use assets and lease liabilities is disclosed below.

	1 July 2019 $'000
Increase in right-of-use assets	3,074
Decrease in provisions due to reclassification of lease incentives to the right of-use-asset	388
Increase in lease liabilities -current	(316)
Increase in lease liabilities -non-current	(3,146)
Impact on retained earnings	-

	1 July 2019 $'000
Operating lease commitments disclosed as at 30 June 2019	2,183
Extension option included deemed reasonably certain of being exercised	2,066
Discount using incremental borrowing rate at 1 July 2019	(787)
Lease liability recognised as at 1 July 2019	3,462

Lease liabilities	1 July 2019 $'000
Balance at 1 July 2019	3,462
Additions	-
Interest incurred	60
Payments on lease liability	(156)
Balance at 31 December 2019	3,366
Of which are:	
Current lease liabilities	321
Non-current lease liabilities	3,045
Balance at 31 December 2019	**3,366**

The recognised right-of-use assets relate to the following types of assets:

Right-of-use assets	**Property $'000**	**Equipment $'000**	**Total $'000**
Balance at 1 July 2019	**3,074**	**-**	**3,074**
Depreciation charge	(136)	-	(136)
Balance at 31 December 2019	**2,938**	**-**	**2,938**

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 2019:

Standard/Interpretation	Effective for the annual reporting period beginning on or after	Expected to be initially applied in the financial year ending
AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business	1 January 2020	30 June 2021
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 January 2020	30 June 2021
AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework	1 January 2020	30 June 2021
AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia	1 January 2020	30 June 2021

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

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 Space Chambers, masks and Breath-Alert Peak-Flow meters, primarily within Australia, Europe and North America and some sales in Asia, New Zealand and the Middle East
- 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 2019 $'000	31 Dec 2018 $'000	31 Dec 2019 $'000	31 Dec 2018 $'000	31 Dec 2019 $'000	31 Dec 2018 $'000	31 Dec 2019 $'000	31 Dec 2018 $'000	31 Dec 2019 $'000	31 Dec 2018 $'000
Revenues:										
External revenue (gross)	5,442	5,156	4,375	3,033	160	360	-	-	9,977	8,550
Sales discounts and claims	-	-	(291)	(239)	-	-	-	-	(291)	(239)
Sales revenue (net)	**5,442**	**5,156**	**4,083**	**2,795**	**160**	**360**	**-**	**-**	**9,686**	**8,311**
Milestone and licence revenue	1,209	1,209	-	-	-	-	-	-	1,209	1,209
Total revenue (net)	**6,652**	**6,365**	**4,083**	**2,795**	**160**	**360**	**-**	**-**	**10,895**	**9,520**
Profit before interest, income tax, depreciation & amortisation	**2,565**	**2,507**	**699**	**73**	**46**	**120**	**(1,807)**	**(1,459)**	**1,503**	**1,241**
Depreciation & Amortisation	(1,060)	(890)	(100)	(117)	(12)	(13)	(116)	(86)	(1,288)	(1,105)
Profit before interest and tax	**1,505**	**1,617**	**599**	**(44)**	**34**	**107**	**(1,923)**	**(1,545)**	**215**	**136**
Net interest							158	50	158	50
Profit before income tax expense							**(1,765)**	**(1,494)**	**373**	**186**
Income tax expense							(133)	(54)	(133)	(54)
Net profit for the period from continuing operations							**(1,898)**	(1,548)	**240**	**132**

	Pharmaceuticals		Medical Devices		Veterinary		Unallocated		Total	
	31 Dec 2019 $'000	30 Jun 2019 $'000	31 Dec 2019 $'000	30 Jun 2019 $'000	31 Dec 2019 $'000	30 Jun 2019 $'000	31 Dec 2019 $'000	30 Jun 2019 $'000	31 Dec 2019 $'000	30 Jun 2019 $'000
Assets and Liabilities										
Assets	49,409	44,236	10,256	9,973	988	1,108	26,437	29,484	87,091	84,801
Liabilities	-	-	-	-	-	-	42,677	40,213	42,677	40,213

	Pharmaceuticals		Medical Devices		Veterinary		Unallocated		Total	
	31 Dec 2019 $'000	31 Dec 2018 $'000	31 Dec 2019 $'000	31 Dec 2018 $'000	31 Dec 2019 $'000	31 Dec 2018 $'000	31 Dec 2019 $'000	31 Dec 2018 $'000	31 Dec 2019 $'000	31 Dec 2018 $'000
Other Segment Information										
Acquisition of segment assets	4,463	4,664	237	146	19	6	104	464	4,823	5,282

Geographical Information	Revenue from external customers 31 Dec 2019 $000's	%	Revenue from external customers 31 Dec 2018 $000's	%
Australia	5,825	60.1%	4,751	57.2%
New Zealand	580	6.0%	525	6.3%
International	3,281	33.9%	3,036	36.5%
	9,686	100.0%	8,311	100.0%

3. Items included in Profit and Loss

	31-Dec-19 $'000	31-Dec-18 $'000
Expense items included in profit and loss		
Depreciation of non-current assets	660	488
Amortisation of non-current assets	628	617
Research and development costs	151	122
Operating lease rental expenses	17	164
Share Based Payments	284	129
Gain on foreign currency transactions	(124)	(384)

4. Dividends

A final dividend in relation to the 30 June 2019 year was declared and paid during the current period.

A fully franked dividend of 2 cents per share was declared in relation to the 31 December 2018 period.

Refer to note 7 below for details of the dividend declared in respect of the half year ended 31 December 2019.

5. Deferred Tax Assets

	31-Dec-19 $'000	30-Jun-19 $'000
Deferred Tax Asset	902	2,129

MVP receives upfront payments from its partners and for tax purposes these monies are assessable on a cash received basis or when an unconditional entitlement arises. Minimal payments of this nature have been received in the current period thereby reducing the deferred tax asset balance as at 31 December 2019 as these amounts continue to be amortised to profit for accounting purposes over the term of the arrangement.

6.Liabilities - Other

	31-Dec-19 $'000	30-Jun-19 $'000
Revenue received in advance	32,306	33,281
Unearned government grant income	683	665
	32,989	33,946
Current	2,418	2,521
Non-current	30,571	31,425
	32,989	33,946

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. The decrease in the liability relates to the amortisation of previously received upfront payments.

7. Subsequent events

On the 19th February 2020 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 6 March 2020, to be paid to the shareholders on the 17 April 2020. This dividend has not been included as a liability in these financial statements.

Other than the dividend declared, 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 2019.