

**Medical Developments International Limited.**  
**Appendix 4E**

**Results for Announcement to the Market**

The following information is provided in accordance with ASX Listing Rule 4.3C.2

		<b>Percentage Change</b>		<b>Amount \$'000</b>
Revenue from ordinary activities	Up	23.9%	to	11,608
Profit after tax from operating activities attributable to members	Up	74.7%	to	1,529
Net Profit after tax attributable to members	Up	74.7%	to	1,529

**Earnings Per Share**

Basic earnings per share for the year ended 30 June 2015 was 2.6 cents (30 June 2014: 1.5 cents).

**Net Tangible Assets**

Net tangible asset backing per ordinary share as at 30 June 2015 was 1.6 cents (30 June 2014: 0.12 cents).

Brief explanation of the figures above

Refer to the preceding review of operations.

Annual General Meeting

The Annual General Meeting will be held as follows:

Place: Deloitte  
Level 10, 550 Bourke Street, Melbourne

Date: Tuesday, 27 October 2015

Time: 10.30am



21 August, 2015

**ANNUAL REPORT**

Pursuant to listing rule 4.3A, please attached Medical Developments International Limited's audited Financial Report for the year ended 30 June 2015 and associated results announcement.

A handwritten signature in black ink, appearing to be "T. Elus", is written above the title "Company Secretary".

Company Secretary

# Chairman's and CEO's Report



JOHN SHARMAN  
CEO



DAVID WILLIAMS  
CHAIRMAN

## A Milestone Year For MVP

Medical Developments International Limited. ("MDI") (ASX: MVP) delivered a **Net Profit after Tax of \$1.529 million** for the year ended 30 June 2015. Sales **grew 24%** to \$11.608m, whilst Earnings Before Interest and Tax **grew 191%** to \$2.251 million.

In May it was announced that the Medicine and Healthcare products Regulatory Agency ("MHRA") had issued the Final Assessment Report with the support of France, Belgium and Ireland authorities noting all outstanding issues pursuant to the Decentralised Procedure have been successfully resolved and Pentrox® is approvable. We are currently working through the National Phase which is the final step in the ultimate approval of Pentrox® for sale in these markets. We estimate there are 50 million Accident & Emergency hospital attendances each year across these countries.

Elsewhere in the world, our Regulatory Dossier, used in the United Kingdom, France, Belgium and Ireland has already been submitted or is in the process of being submitted to regulatory agencies in Russia, Saudi Arabia, Israel, Singapore, Mexico, Hong Kong, Malaysia, Taiwan and Iran. We expect regulatory approvals to sell Pentrox® in these markets to be granted over the course of the next 12–18 months.

The company is now also focusing on getting Pentrox® approved for sale in the USA. Our initial advice is that our Regulatory Dossier can be used as the basis for our submission to the FDA. We are in the process of appointing a US regulatory consultant to help us through this process.

Overall sales of Asthma devices across our markets in Australia, New Zealand, Europe and North America increased by 36% in FY15. A key feature of this growth was in Europe, where focused sales efforts drove growth in the region by 172%. North American asthma device sales grew 593%, aided by the appointment of a Canadian based General Manager of Sales. We expect further sales shortly into this largely untapped market as a result of further FDA 510(k) submissions and approvals.

NET PROFIT  
AFTER TAX

**\$1.529m**

TOTAL  
SALES

**24%** ↑

UP ON PRIOR PERIOD

EARNINGS BEFORE  
INTEREST AND TAX

**191%** ↑

UP ON PRIOR PERIOD

NET PROFIT  
AFTER TAX

**75%** ↑

UP ON PRIOR PERIOD

BANK  
DEBT\*

**\$2.46m** ↓

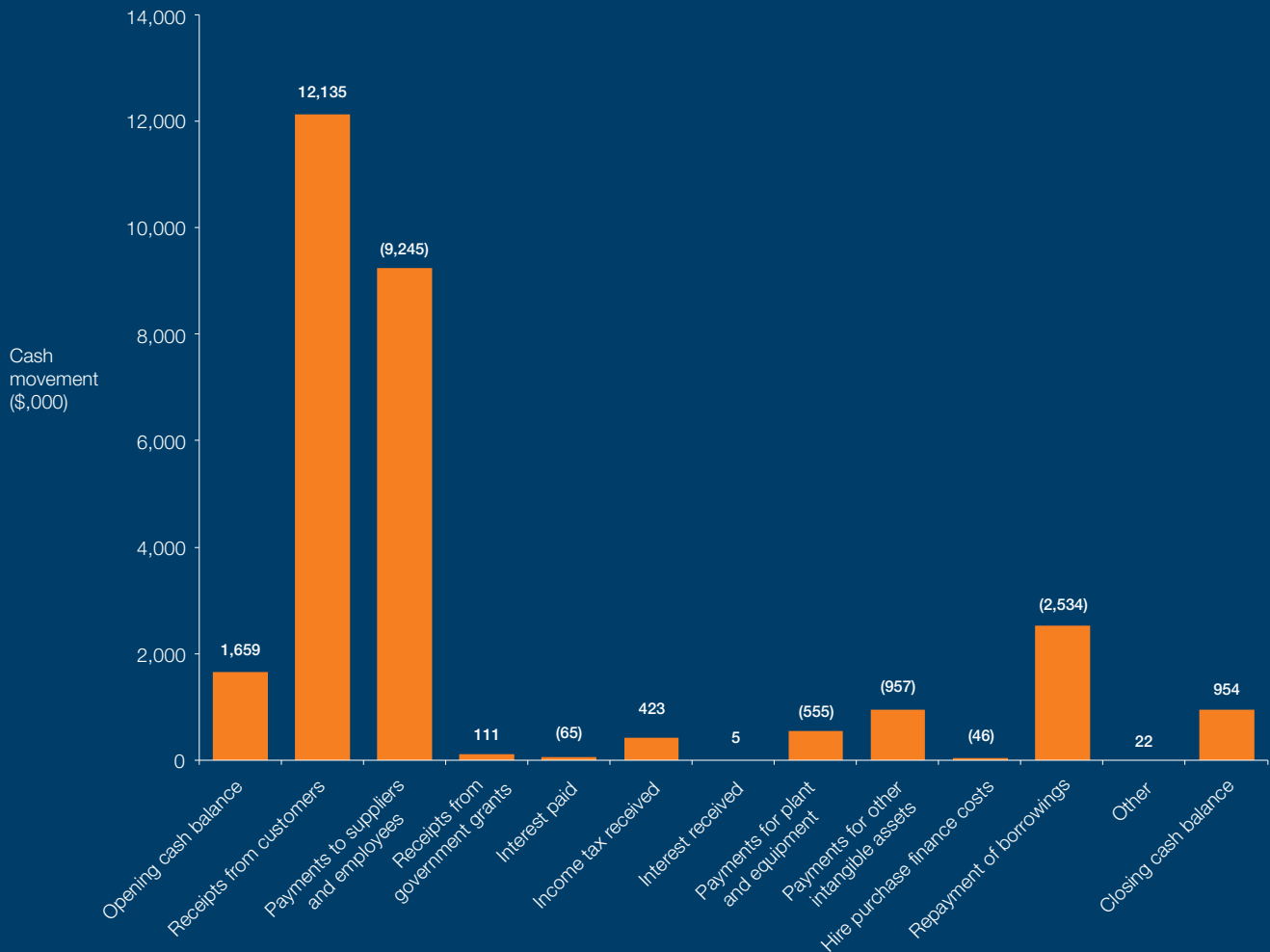
CASH FLOWS FROM  
OPERATING ACTIVITIES

**159%** ↑

UP ON PRIOR PERIOD

\* net bank debt of nil when combined with  
closing cash balances

# FY15 Group Cash Flow





# Global Penthrox<sup>®</sup> Strategy



## Key

- Current key Penthrox<sup>®</sup> markets
- Pending Registrations / emerging markets
- Future

# Key Achievements for FY15

## Penthrox®

- Strong Sales growth for Penthrox® in Australia.
- First sales of Penthrox® in South Africa.
- Approvable finding for Penthrox® in Europe.
- Regulatory submissions made in multiple countries.
- Appointed Galen Ltd as distribution partner in UK & Ireland and received upfront payment.
- Strong sales growth in Dental market.
- Strong sales growth to Australian General Practitioners & Hospitals markets.
- Strong sales growth in the Middle East.
- Progress in product development.

## Respiratory Medical Devices

- Strong rebound in Australian Respiratory Device sales.
- Established North American office.
- Established additional distribution channels in Europe.
- Appointed PSUK as the exclusive distributor of MDI's range of respiratory devices for the UK.
- Significant sales growth in New Zealand.
- Strong sales growth from international markets including Europe and Canada.
- New product lines approved for sale in Australia, Asia, Europe and North America.

## Other

- Successfully completed construction of the commercial scale plant for the new methoxyflurane manufacturing process.
- Ongoing improvement in manufacturing costs and efficiency.
- 159% improvement in cash generated from operating activities.
- \$2.5 million reduction in bank debt position (net bank debt of nil when combined with cash balances).
- Claimed R&D Tax Incentive concession of \$282k.
- Claimed other export and marketing related grants totalling \$111k.
- Continued investment in new product development.
- Continued investment in clinical development programs and trials.



# Review of Operarions

## Pharmaceuticals

All segments of our Pentrox® business performed strongly and sales of Pentrox® **grew 32%** compared to FY14. Sales to our Ambulance business **grew** by **22%** and sales to Hospitals and General Practitioners **grew 32%**. Sales for our Dental business **grew 67%** which is the result of our business partner expanding our presence in this market.

Internationally we made our first sales to South Africa in FY15. We expect South Africa to be a significant market for Pentrox®. Sales in the Middle East **grew 118%**.

## Clinical Developments

MDI continues its program of developing applications for Pentrox®. Additional clinical trials are planned which may open up new areas of use for Pentrox®. During the year we have directly and indirectly progressed the following clinical studies:

- A psychomotor function study undertaken at Royal Adelaide Hospital aimed at demonstrating that the use of Pentrox® would not impair a patient's ability to drive or operate machinery is in its final stages with patient recruitment completed in June 2015. The results indicate Pentrox® induces an acute but short-lasting impairment of psychomotor and cognitive performance, which returns to normal within 30 minutes after inhalation. This is a significant result for Pentrox® and means that patients do not require longer term monitoring after the administration of Pentrox®, and patients can be safely returned to tasks that require high psychomotor skills such as driving 30 minutes after cessation of Pentrox®, which is a very significant advantage over all of its narcotic competitors.
- An active comparative trial in Singapore, which compares the benefits of intramuscular Tramadol v Pentrox® in an Ambulance setting. This trial is progressing well with recruitment having been

completed. Interim results are very positive for Pentrox® and we expect this trial will be completed towards the end of 2015.

- We are developing three additional clinical trials in 2015 which will support our marketing efforts in Europe and elsewhere.

## Commercialisation

### South Africa

After receiving approval to sell Pentrox® in South Africa in June 2014, we made our first sales to South Africa in FY15. We expect South Africa will be a significant market for Pentrox® and should grow significantly in FY16.

### Europe

MDI is finalising contracts with a significant pharmaceutical company having expertise in pain management products to distribute Pentrox®.

### UK and Ireland

MVP entered into an exclusive Distribution, License and Supply Agreement with Galen Limited to supply Pentrox® in the United Kingdom and Ireland. Sales to Galen are expected in the first half of FY16.

### USA

MDI has commenced the process of reviewing the necessary steps to get Pentrox® approved for sale in the USA including the appointment of professional advisors. The USA approval will become a key priority in FY16 and beyond.

### Russia

We have been working on our Russian Registration Dossier to have Pentrox® approved for sale in Russia for more than two years. The Russian Registration Dossier has been

reviewed by experts and our application lodged with the Ministry of Health for Russia.

### Eastern Europe and Middle East

We have achieved very significant sales success in the Middle East. Our business **grew by 118%** and is showing signs of further growth potential in FY16. In Eastern Europe our business performed below expectations with sales **falling 17%**. This is mainly due to the political unrest in the region and we expect this business to recover in FY16.

### Australia

Domestically, sales to Ambulance **increased 22%** during the year due with growth across all mainland states and territories.

## Medical Devices: Respiratory

Overall Respiratory sales have **increased 42%** in FY15.

### Australia

Our Australian respiratory business has rebounded well from a difficult FY14 and with sales **increasing 13%**. Much of FY15 growth can be attributed to our spacer range now being stocked in Australia's two largest retail pharmacy chains.

### North America

Our North American Respiratory business has grown significantly in FY15, **increasing by 593%** as a result of our distributors success in winning more tenders and increasing their range of MVP respiratory products sold in the market.

Our "anti-static" Compact Space Chamber Plus products are expected to be approved by the FDA shortly and having a full range of our respiratory products approved and available for sale is expected to deliver further significant growth in FY16.

Our initial assessment of the USA market is that there are approximately 20 million space chamber devices sold each year. Our products are amongst the world's best and our ambition is to win significant market share over the coming years.

### Europe

Our business in Europe (including the UK) was profitable for the first time since established. Respiratory sales **grew 172%** in FY15. During FY15, MDI entered into an exclusive agreement with PSUK to supply its range of respiratory devices in the UK. The agreement includes minimum quantities for 3 years that will drive ongoing sales growth of respiratory devices in the UK. PSUK supply the majority

of doctors and pharmacies in the UK with medical devices. We have also made progress on mainland Europe with sales **growing 93%**.

We expect further very significant sales and profitability growth in our European/UK Respiratory Device business during FY16.

### New Zealand

Our New Zealand business **grew 17%** in FY15.

### Asia

We have increased our presence and marketing efforts throughout Asia and sales into this region grew 8% year on year. We expect further growth in FY16.

## Vet

Our Vet business **declined 11%** in FY15. However we achieved a significant improvement in H2FY15 because we opened new markets in China and South East Asia. Our increased sales efforts and continued fall in the Australian dollar is expected to further help our export business in FY16.

## Research and Development

During FY15 we completed the final stage of constructing our commercial scale plant for the new methoxyflurane manufacturing process. Three validation batches using the new process were completed under production conditions. This initiative will revolutionise our manufacturing process and transform the cost base for Pentrox®. In addition to valuable intellectual property, this project will create ongoing options for innovation and growth which previously did not exist.

## Operating Expenses

During the year, the Company invested heavily in our regulatory, product development, sales, marketing and research and development teams. The investment in clinical studies, research and development and product development has been capitalised to intangible assets where appropriate.

The Company will invest in additional studies in FY16 to support both the European registration and the company plans to pursue opportunities in North America.

We received a \$0.282 million R&D tax incentive refund during the year and a further \$0.133 million is expected in the coming months in relation to FY15.



# Dividend

No dividends are declared.

# Outlook

Our ambition is to make Pentrox® a main stream analgesic of choice around the world and our Respiratory Devices leaders in the field.

Penthrox® is a category leading drug in Australia and we expect it can dominate many of the trauma and minor surgical procedure markets around the world. With the completion of our Regulatory Dossier, a number of licensing deals successfully concluded and with the successful completion of our CSIRO manufacturing project, we have the base to make MDI a global pharmaceutical company.

The growth experienced in asthma device sales in FY15 will be built on in FY16 as a result of growth within existing customer accounts, new product registrations and new overseas market opportunities in the USA and Europe.

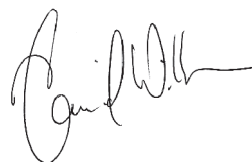
FY15 has been an improved year in terms of sales and profit. However FY16 and beyond should see the flow through results of new global registrations, licensing deals and recent staff hires, combining to deliver further sales and profit growth.

We would like to thank our staff and our trading partners for their efforts and support.



**MR JOHN SHARMAN**  
CHIEF EXECUTIVE OFFICER

+61 3 9547 1888



**MR DAVID WILLIAMS**  
CHAIRMAN

+61 414 383 593



## **Full-Year Report**

Financial Year Ended 30 June 2015

(Previous corresponding period: financial year ended 30 June 2014)

Medical Developments International Limited.  
Annual Financial Report

**Annual Financial Report for the Financial Year Ended 30 June 2015**

**Contents**

Corporate Governance Statement .....	3
Directors' Report .....	10
Independence Declaration to the Directors of Medical Developments International Limited .....	25
Independent Auditor's Report to the Members of Medical Developments International Limited ..	26
Directors' Declaration .....	28
Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Financial Year Ended 30 June 2015 .....	29
Consolidated Statement of Financial Position as at 30 June 2015 .....	30
Consolidated Statement of Changes in Equity for the Financial Year Ended 30 June 2015 .....	31
Consolidated Statement of Cash Flows for the Financial Year Ended 30 June 2015 .....	32
Notes to the Financial Statements for the Financial Year Ended 30 June 2015 .....	33

Medical Developments International Limited.  
Annual Financial Report

## Corporate Governance Statement

The Board of Directors is ultimately responsible for all matters relating to the running of the company and is committed to implementing the highest standards of corporate governance.

The Board's role is to govern the organisation rather than manage it. It is the purpose of senior management to manage the organisation in accordance with the direction of the Board. The Board is responsible for:

- setting the goals of the company, including short-term, medium-term and long-term objectives;
- providing the overall strategic direction of the company;
- appointing and approving the terms and conditions of the Chief Executive Officer and reviewing their ongoing performance;
- endorsing the terms and conditions of senior executives through the Remuneration Committee;
- establishing and determining the powers and functions of the committees of the board, including the Audit & Risk Committee and the Remuneration Committee;
- reviewing the Board's structure and performance from time to time and making decisions on new appointments to the Board;
- approving the annual budget and long-term budgets;
- approving all mergers and acquisitions, and property acquisitions and disposals;
- the issue of any shares, options, equity instruments or other securities in MDI or its subsidiaries;
- determining the ethos of the company and ensuring that the group adheres to appropriate standards and values and applicable laws; and
- representing the interests of shareholders.

To assist in the execution of these responsibilities, the Board has two Board Committees being:

- an Audit and Risk Committee (Mr P Powell (Chairman who joined on 17 December 2014) and Mr M Johnston). Mr Johnston was Chairman of the Audit and Risk Committee from July to December 2014 during which time David Williams was also a member up until the appointment of Mr P Powell; and
- a Remuneration and Nominations Committee (Mr D Williams and Mr A McCallum).

Medical Developments International Limited  
Annual Financial Report

All other functions of the Board will be dealt with by the Board as a whole. However, from time to time, the Board may determine to establish specific purpose sub-committees to deal with specific issues.

*Share trading*

The Board has adopted a share trading policy for Directors and officers of the company. The Policy regulates dealings by Medical Developments International Limited ("MDI") directors, officers and employees in MDI securities.

The standards and conduct adopted by the Board reflect, where applicable, the standards for Corporate Governance as provided in the ASX Corporate Governance Principles established by the ASX Corporate Governance Council.

The following sections summarise MDI's compliance with these principles. Unless explicitly stated otherwise, the Directors believe MDI complies with the Corporate Governance Council's recommendations.

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

Duties of the Board and of management are clearly segregated and stated in the company's Corporate Governance Manual. The Board's role and responsibilities are also summarised above. Senior executives are evaluated by the remuneration committee annually, based on the company's performance and specific key performance indicators set for the respective senior executive.

All senior executive appointments involve a formal written agreement that is reviewed and signed off on by both the CEO and relevant Executive.

The Board undertakes formal interviews and reference checks to assess the appropriateness of all candidates. Information relevant to the decision on whether or not to elect or re-elect a director is summarised within the Annual General Meeting Notice of Meeting which is sent to all security holders and also released to the ASX and published on the company website.

Individual agreements with each of the directors do not exist, however the duties and obligations of Directors are specifically outlined in the Corporate Governance Manual and the remuneration of Directors is addressed at least annually by the Remuneration and Nomination Committee.

The Company Secretary reports to the Chairman on all Board functioning and Corporate Governance related matters. The Company Secretary attends Board meetings and has input into materials distributed as part of these meetings. Furthermore, Corporate Governance related matters are addressed as a specific agenda at Board meetings.

Medical Developments International Limited  
Annual Financial Report

**Recommendation 1.5-1.6**

Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

The Company has established and disclosed (on its website) its Diversity Policy in accordance with the recommendation.

Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

The Board believes in the value of diversity but does not believe that given the size of the company and the resources available to it, that formalising measurable objectives for achieving gender diversity is appropriate. As the company grows, the Board will continue to monitor the Diversity Policy including formalising measurable objectives for achieving gender diversity.

While there is currently no gender diversity on the Board, the Board is made up of individuals from various professions, cultures, and backgrounds.

The Company's workforce is comprised of three distinct employee groups:

1. Employees engaged in senior management roles which constitutes 28% of the workforce;
2. Employees engaged in middle management roles which constitutes 10% of the workforce;  
and
3. Employees engaged in tier three level activities such as production, sales, and administration type roles which constitutes 62% of the workforce.

**Principle 2: Structure the Board to add value**

The directors believe that the composition, size and commitment of the Board will allow it to effectively discharge its responsibilities and duties. To this end, currently five of the six Board members are independent under the definition of the Council. Furthermore, while the Chairman, Mr Williams is not considered independent under the Council definition and thus recommendation 2.2 is not followed, the Board does not believe that Mr Williams being a substantial shareholder has had or will have any adverse impact on the conduct of MDI's affairs or the representation of the interests of other shareholders. Furthermore, the roles of Chairman and CEO are not exercised by the same individual.

A formal Board skills matrix is not presented, however the Annual Report contains key details regarding each Board's members qualifications, career experience and other appointments.

The company has no formal process for evaluating the performance of its Board, committees and individual Directors. As such, recommendation 1.6 is not followed. Instead the Board uses regular informal assessments to evaluate its performance.

Medical Developments International Limited  
Annual Financial Report

To further ensure Directors can fulfil their obligations, the Board has adopted a policy, contained in the company's corporate governance manual that allows directors to take independent professional advice, at the expense of the company.

The information required by recommendation 2.2 regarding the skills, experience and expertise of the individual Directors is included in the Director's Report and is not repeated here.

The Board has established a two member Remuneration and Nominations committee as suggested by recommendation 2.1. Whilst this is less than the three required by recommendation 2.1 & 8.1, the Board believes a three member committee is impractical given the overall size of the Board. A formal charter does not exist, however all Board members are consulted on the appropriateness of new Board candidates to ensure a diverse balance of skills, knowledge and experience is achieved to enable the Board to discharge its duties and responsibilities effectively.

**Principle 3: Promote ethical and responsible decision-making**

The Board actively promotes ethical and responsible decision-making.

Companies should establish a code of conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity; the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company has established and disclosed (in its Induction Handbook) its Code of Conduct in accordance with this recommendation. The Code of Conduct applies to Directors, managers and employees of the Company. The Code of Conduct is reviewed as necessary to ensure it reflects the high ethical standards of conduct necessary to maintain confidence in the Company's integrity.

The Board has implemented and disclosed a share trading policy covering Directors, senior executives and employees. The directors are aware of their responsibility to communicate any share trading to the company, and the company notifies the ASX of any share transactions within the allowed five business days.

The Board has adopted a policy for trading in Medical Developments International securities by Directors and employees. The purpose of this policy is to define the circumstances in which Directors, employees and any associates are permitted to deal in securities. The updated policy addresses each of the ASX requirements including provisions relating to the prohibition of trading by directors and senior management in the Company's securities during defined periods.

Medical Developments International Limited  
Annual Financial Report

**Principle 4: Safeguard integrity in financial reporting**

The Board has ensured there is a structure in place to independently verify and safeguard the integrity of the company's financial reporting.

The Board has established an Audit and Risk Committee comprised of two non-executive Directors. While this is less than the three required by recommendation 4.2 & 7.1, the Board believes a three member committee is impractical given the overall size of the Board and that the current composition of the committee allows it to discharge its mandate effectively. The Committee's Charter is contained within the company's Corporate Governance manual and also included on the company's website.

**Principle 5: Make timely and balanced disclosures**

The company has put in place mechanisms designed to ensure compliance with the ASX Listing rules and Corporations Act requirements regarding continuous disclosure. The Corporate Governance Manual details the company policy and all management staff are made aware of it. The company is committed to ensuring all market participants have equal access to information and so updates and presentations continue to be provided to the ASX and posted on the company website. If a presentation contains information that is not public and may have a material effect on the share price, the material is sent to the ASX prior to the presentation being made.

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

A formal documented investor relations program does not exist. However the CEO holds regular investor roadshows and information presented at such roadshows is also released to the market. Furthermore, both the Chairman and CEO make themselves available to take calls directly from investors and their contact details are provided within each ASX announcement.

The Board of Directors has adopted a policy to ensure that shareholders are informed of all major developments affecting MDI in a timely manner. In accordance with this policy, information is communicated in a variety of ways including:

- A half-yearly report containing summarised financial information and a review of operations
- An annual report with detailed financial information and review of the operations of the company and future outlook
- Updates on operations and developments lodged with the ASX
- A comprehensive website carrying the latest news and containing an investor relations section which includes corporate governance information and an archive of periodic reports and ASX releases.

MVP has functionality within its existing website to collect investor email addresses to then have those included on a key company announcement email distribution list. The website also contains a detailed 'Contact Us' page which enables investors to contact MVP via a number of different mediums. Security holders also have the option to receive and communicate with MVP electronically via the security registry (currently Computershare).



Medical Developments International Limited  
Annual Financial Report

The external auditor is required to attend the Annual General Meeting and is available to answer questions. Furthermore, the company encourages shareholders to attend the Annual General Meeting and ask questions.

**Principle 7: Recognise and manage risk**

The management of risk is considered by the Audit and Risk Committee. The Board determines whether management has developed and implemented a sound system of risk management and internal control and this review has again taken place in FY15.

The Chief Executive Officer and Group Financial Controller state to the Board in writing that there is a sound system of risk management and internal compliance and control within the company and that this system operates effectively in ensuring that financial reporting risks are managed such that the declaration required by s.295A of the Corporations Act can be provided.

The Company does not have its own internal audit function as it is considered impractical for a company the size of MVP to have one. Instead risk management and internal control matters are addressed as part of the Audit and Risk Committee Charter.

**Principle 8: Remunerate fairly and responsibly**

The Board has established a Remuneration committee to ensure Directors, executives and staff are remunerated appropriately. The committee reviews remuneration packages at least annually in the light of market conditions, performance of the individual and the performance of the company. The Remuneration report contained within the Director's Report includes considerable detail on the current remuneration of directors and executives including how performance conditions for performance related payments are chosen and assessed.

**Diversity**

The Company has established a policy concerning diversity which is available on its website. The policy outlines the Company's commitment to diversity, which is underpinned by the following key principles:

- Attracting, engaging and retaining a talented and diverse workforce;
- Recognising the need for workplace flexibility to support the role employees at all levels have outside of the workplace;
- Improving the quality of decision-making, creativity, productivity and teamwork;
- Enhancing service delivery through a workforce that respects and reflects the diversity of our customers;
- Building and maintaining a safe work environment by taking action against inappropriate behaviour (including discrimination, harassment, bullying, victimisation and vilification); and
- Facilitating equal employment opportunities by considering a broad and diverse talent pool and making decisions based on merit, ability, performance and potential.

Medical Developments International Limited  
Annual Financial Report

The Company's Diversity Policy outlines the following key areas of focus:

- Conducting recruitment in a structured manner consistent with Equal Employment Opportunity principles and the objectives of this policy;
- Undertaking structured talent management and succession planning reviews;
- Undertaking targeted diversity, culture and engagement initiatives;
- Establishing and reviewing appropriate and aligned human resource policies and procedures; and
- Consistent messaging in internal communication.

**Annual reporting on the Company's Diversity Policy and proportion of women**

There is one woman currently in a senior management role. Overall women represent 48% of the workforce of the Company.

The Company has implemented a strategy designed to increase the representation of women at the senior management level.

To aid in the attraction and retention of female employees, the Company has carer's leave in place as well as making part-time work available. The Company always seeks to accommodate individual circumstances to ensure all employees can manage their work-life balance.

Medical Developments International Limited  
Annual Financial Report

## Directors' Report

The directors of Medical Developments International Limited ("MDI") herewith submit the annual financial report of the company for the financial year ended 30 June 2015. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### Information about the Directors

The names and particulars of the directors of the company during or since the end of the financial year are:

**Mr D J Williams, B.Ec (Hons), M.Ec, FAICD**

*Non-Executive Chairman (since 16 September 2003)*

Managing Director of Kidder Williams Ltd, with over 30 years' experience in the investment banking sector. He is also Chairman of PolyNovo Ltd. Mr Williams is Chairman of the Remuneration and Nominations Committee.

**Mr A D McCallum, Dip.Ag Science, FAICD**

*Non-Executive Director (since 27 October 2003)*

Mr McCallum has over 15 years' public companies experience including an ASX 50 company and has served on numerous committees including: Audit, Remuneration & Nomination, and as an Independent Director on Related Parties (Governance) Committees. Mr McCallum is a member of the Remuneration and Nominations Committee. He is also Chairman of Tassal Group Ltd.

**Dr H F Oxe, AM, ASM, KStJ**

**MA (Hons), MB.BChir (Cantab), MRCS.LRCP, DA, FFARCS, FRCA, FFARACS, FANZCA, FACAP, DipDHM**

*Non-Executive Director (since 28 December 2006)*

Dr Oxe is a Medical Consultant to MDI and St John Ambulance in Western Australia. Dr Oxe was a long-time member of the State Executive for St John Ambulance (WA) until his retirement in rotation in 2012, and was the previous Medical Director for twenty-six years. He has taught, lectured and published extensively over the years, both nationally and internationally. Dr Oxe is also a past Chairman of the Australian Resuscitation Council and has a major interest in resuscitation, oxygen therapy and pain relief.

Medical Developments International Limited  
Annual Financial Report

**Mr R M Johnston**

*Non-Executive Director (since 5 November 2012)*

Mr Johnston is a non-executive director of Enero Group Limited, Polynovo Limited and Chairman of Probiotec Limited. For 11 years he was President and Chief Executive Officer of Johnson & Johnson Pacific and an Executive Director of Johnson & Johnson. Mr Johnson has also held several prominent industry roles as a past President of ACCORD Australasia Limited, a former Vice Chairman of the Australian Food and Grocery Council and a former member of the board of ASMI. Mr Johnson has had extensive overseas experience during his career in leading businesses in both Western and Central-Eastern Europe, Africa as well as Asia-Pacific. Mr Johnston is also a member of the MDI Audit & Risk Committee.

**Mr L Hoare**

*Non-Executive Director (since 27 September 2013)*

Mr Hoare is the Managing Director of Smith & Nephew in Australia & New Zealand (covering all Divisions), which is one of the largest global subsidiaries (outside the USA). In his 24 years with Smith & Nephew, he has held roles in Marketing, Divisional and General Management, and was most recently Asia Pacific President of the Advanced Wound Management (AWM) Division, before advancing to the Managing Director role in 2014. He has also been a member of the Global Executive Management for the AWM Division of Smith & Nephew whilst leading Asia Pacific. External to Smith & Nephew, Mr Hoare previously held board roles (including as Vice-Chair) with Australia's peak medical device body, Medical Technology Association of Australia (MTAA).

**Mr P J Powell, B.Com (Hons) ACA, F Fin, MAICD**

*Non-Executive Director (appointed 17 December 2014)*

Mr Powell, a Chartered Accountant, has an extensive finance background and commenced working in investment banking in 1996 at Hambros Corporate Finance following ten years industry experience in senior finance roles with ASX listed public company OAMPS Limited. Prior to these roles, he worked for ten years within the Assurance Division at Arthur Andersen & Co. From January 2006 to July 2013 he was an Executive Director at Corporate Finance Advisory firm Kidder Williams. Philip is also a Non-executive Director of PolyNovo Limited (ASX:PNV).

Philip is Chairman of MDI's Audit and Risk Committee.

The above named directors held office during and since the end of the financial year.

**Mr M Van Ryn, B.Bus**

*Non-Executive Director (resigned 28 July 2014)*

Mr Van Ryn has over 35 years' experience in the direct management of food companies and has extensive experience in launching and marketing products into international markets. Prior to his resignation from the Board on 28 July 2014, Mr Van Ryn was also the Chairman of the Audit & Risk Committee.

Medical Developments International Limited  
Annual Financial Report

**Directorships of other listed companies**

Directorships of other listed companies held by the directors in the 3 years immediately before the end of the financial year are as follows:

Name:	Company:	Period of Directorship:
David Williams	Polynovo Limited (Chairman)	Since 13 March 2014
	IDT Australia Ltd	Resigned on 19 May 2015
Allan McCallum	Tassal Group Ltd (Chairman)	Since October 2003
Max Johnston	Probiotec Ltd	Since April 2010
	Enero Group Limited	Since March 2011
	Polynovo Limited	Since 13 May 2014
Philip Powell	Polynovo Limited	Since 13 May 2014

**Company Secretary**

Mr Mark Edwards, CA. Mr Edwards is also the Group Financial Controller of the company.

**Principal Activities**

The company's principal activities during the course of the financial year were the manufacture and distribution of a pharmaceutical drug and medical and veterinary equipment.

**Review of Operations**

FY15 was a year of significant investment in the future of our business. The investment in our regulatory, sales, manufacturing, product development and research teams was significant.

**Pharmaceuticals**

All segments of our Pentrox business performed strongly and sales of Pentrox **grew 32%** compared to FY14. Sales to our Ambulance business **grew by 22%** and sales to Hospitals and General Practitioners **grew 32%**. Sales for our Dental business **grew 67%** which is the result of our business partner expanding our presence in this market.

Internationally we made our first sales to South Africa in FY15. We expect South Africa to be a significant market for Pentrox. Sales in the Middle East **grew 118%**.

Medical Developments International Limited  
Annual Financial Report

**Clinical Developments**

MDI continues its program of developing applications for Pentrox. Additional clinical trials are planned which may open up new areas of use for Pentrox®. During the year we have directly and indirectly progressed the following clinical studies:

- A psychomotor function study undertaken at Royal Adelaide Hospital aimed at demonstrating that the use of Pentrox would not impair a patient's ability to drive or operate machinery is in its final stages with patient recruitment completed in June 2015. The results indicate Pentrox induces an acute but short-lasting impairment of psychomotor and cognitive performance, which returns to normal within 30 minutes after inhalation. This is a significant result for Pentrox and means that patients do not require longer term monitoring after the administration of Pentrox, and patients can be safely returned to tasks that require high psychomotor skills such as driving 30 minutes after cessation of Pentrox, which is a very significant advantage over all of its narcotic competitors.
- An active comparative trial in Singapore, which compares the benefits of intramuscular Tramadol v Pentrox in an Ambulance setting. This trial is progressing well with recruitment having been completed. Interim results are very positive for Pentrox and we expect this trial will be completed towards the end of 2015.
- We are developing three additional clinical trials in 2015 which will support our marketing efforts in Europe and elsewhere.

**Commercialisation**

**South Africa**

After receiving approval to sell Pentrox in South Africa in June 2014, we made our first sales to South Africa in FY15. We expect South Africa will be a significant market for Pentrox and should grow significantly in FY16.

**Europe**

MDI is finalising contracts with a significant pharmaceutical company having expertise in pain management products to distribute Pentrox®.

**UK and Ireland**

MVP entered into an exclusive Distribution, License and Supply Agreement with Galen Limited to supply Pentrox in the United Kingdom and Ireland. Sales to Galen are expected in the first half of FY16.

**USA**

MDI has commenced the process of reviewing the necessary steps to get Pentrox approved for sale in the USA including the appointment of professional advisors. The USA approval will become a key priority in FY16 and beyond.

Medical Developments International Limited  
Annual Financial Report

**Russia**

We have been working on our Russian Registration Dossier to have Pentrox approved for sale in Russia for more than two years. The Russian Registration Dossier has been reviewed by experts and our application lodged with the Ministry of Health for Russia.

**Eastern Europe and Middle East**

We have achieved very significant sales success in the Middle East. Our business **grew by 118%** and is showing signs of further growth potential in FY16. In Eastern Europe our business performed below expectations with sales **falling 17%**. This is mainly due to the political unrest in the region and we expect this business to recover in FY16.

**Australia**

Domestically, sales to Ambulance **increased 22%** during the year due with growth across all mainland states and territories.

**Medical Devices: Respiratory**

Overall Respiratory sales have **increased 42%** in FY15.

**Australia**

Our Australian respiratory business has rebounded well from a difficult FY14 and with sales **increasing 13%**. Much of FY15 growth can be attributed to our spacer range now being stocked in Australia's two largest retail pharmacy chains.

**North America**

Our North American Respiratory business has grown significantly in FY15, **increasing by 593%** as a result of our distributors success in winning more tenders and increasing their range of MVP respiratory products sold in the market.

Our "anti-static" Compact Space Chamber Plus products are expected to be approved by the FDA shortly and having a full range of our respiratory products approved and available for sale is expected to deliver further significant growth in FY16.

Our initial assessment of the USA market is that there are approximately 20 million space chamber devices sold each year. Our products are amongst the world's best and our ambition is to win significant market share over the coming years.

Medical Developments International Limited  
Annual Financial Report

**Europe**

Our business in Europe (including the UK) was profitable for the first time since established. Respiratory sales **grew 172%** in FY15. During FY15, MDI entered into an exclusive agreement with PSUK to supply its range of respiratory devices in the UK. The agreement includes minimum quantities for 3 years that will drive ongoing sales growth of respiratory devices in the UK. PSUK supply the majority of doctors and pharmacies in the UK with medical devices. We have also made progress on mainland Europe with sales **growing 93%**.

We expect further very significant sales and profitability growth in our European/UK Respiratory Device business during FY16.

**New Zealand**

Our New Zealand business **grew 17%** in FY15.

**Asia**

We have increased our presence and marketing efforts throughout Asia and sales into this region **grew 8%** year on year. We expect further growth in FY16.

**Vet**

Our Vet business **declined 11%** in FY15. However we achieved a significant improvement in H2FY15 because we opened new markets in China and South East Asia. Our increased sales efforts and continued fall in the Australian dollar is expected to further help our export business in FY16.

**Research and Development**

During FY15 we completed the final stage of constructing our commercial scale plant for the new methoxyflurane manufacturing process. Three validation batches using the new process were completed under production conditions. This initiative will revolutionise our manufacturing process and transform the cost base for Pentrox. In addition to valuable intellectual property, this project will create ongoing options for innovation and growth which previously did not exist.



Medical Developments International Limited  
Annual Financial Report

**Operating Expenses**

During the year, the Company invested heavily in our regulatory, product development, sales, marketing and research and development teams. The investment in clinical studies, research and development and product development has been capitalised to intangible assets where appropriate.

The Company will invest in additional studies in FY16 to support both the European registration and the company plans to pursue opportunities in North America.

We received a \$0.282 million R&D tax incentive refund during the year and a further \$0.133 million is expected in the coming months in relation to FY15.

**Dividend**

No dividends are declared.

**Outlook**

Our ambition is to make Pentrox a main stream analgesic of choice around the world and our Respiratory Devices leaders in the field.

Pentrox is a category leading drug in Australia and we expect it can dominate many of the trauma and minor surgical procedure markets around the world. With the completion of our Regulatory Dossier, a number of licensing deals successfully concluded and with the successful completion of our CSIRO manufacturing project, we have the base to make MDI a global pharmaceutical company.

The growth experienced in asthma device sales in FY15 will be built on in FY16 as a result of growth within existing customer accounts, new product registrations and new overseas market opportunities in the USA and Europe.

FY15 has been an improved year in terms of sales and profit. However FY16 and beyond should see the flow through results of new global registrations, licensing deals and recent staff hires, combining to deliver further sales and profit growth.

**Financial Position**

The capital structure of the Group remained stable during the period.

- Interest bearing liabilities at 30 June 2015 total \$1,111,000; and
- The key financial covenants attached to this debt facility include current, debt cover and operating leverage ratios and there are no forecasted breaches in the coming 12 month period.

Medical Developments International Limited  
Annual Financial Report

### Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the company other than that referred to in the financial statements or notes thereto.

### Subsequent Events

There has not been any matter or circumstance that has arisen 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.

### Dividends

There were no dividends declared for the full year ended 30 June 2015.

### Indemnification of Officers and Auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), and all executive officers of the company against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer or auditor of the company against a liability incurred as such an officer or auditor.

### Directors' Meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 8 board meetings, two audit and risk committee meetings and one remuneration and nominations committee meeting were held.

	Board of Directors		Audit & Risk Committee		Remuneration & Nominations	
	Held	Attended	Held	Attended	Held	Attended
D.J. Williams	8	8	1	1	1	1
A.D. McCallum	8	8	-	-	1	1
H.F. Oxe	8	7	-	-	-	-
M. Johnston	8	8	2	2	-	-
L. Hoare	8	8	-	-	-	-
P.J. Powell	6	5	1	1	-	-

Medical Developments International Limited  
Annual Financial Report

Mr Williams joined the Audit and Risk Committee in July 2014 and resigned in December 2014 and therefore was only eligible to attend 1 meeting.

Mr Powell joined the Board in December 2014 and was therefore only eligible to attend 6 meetings. Mr Powell also joined the Audit and Risk Committee in December 2014 and therefore was only eligible to attend 1 meeting.

**Directors' Shareholdings**

The following table sets out each director's relevant interest in shares as at the date of this report.

	Fully paid shares
D.J. Williams	23,371,990
A.D. McCallum	477,497
H.F. Oxe	207,013
M. Johnston	30,000
L. Hoare	10,000
P.J. Powell	352,074

**Audited Remuneration Report**

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Medical Developments International Limited's key management personnel for the financial year ended 30 June 2015. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity. The prescribed details for each person covered by this report are detailed below under the following headings:

- Key management personnel
- Remuneration policy
- Relationship between the remuneration policy and company performance
- Remuneration of key management personnel
- Key terms of employment contracts.

Medical Developments International Limited  
Annual Financial Report

*Key Management Personnel Details*

The company's key management personnel consist of the following directors and executives:

The directors of the company during or since the end of the financial year were:

- D.J. Williams (Chairman, Non-executive)
- H. F. Oxe r (Non-executive)
- A.D. McCallum (Non-executive)
- M. Van Ryn (Non-executive) (resigned 28 July 2014)
- R.M. Johnston (Non-executive)
- L. Hoare (Non-executive)
- P. Powell (non-executive) (appointed 17 December 2014)

The company executives during or since the end of the financial year were:

- J. Sharman (Chief Executive Officer)
- M. Edwards (Company Secretary)

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

**Key management personnel equity holdings – fully paid ordinary shares**

<b>2015</b>	<b>Balance at 30 June 2014 No.</b>	<b>Issued during the year No.</b>	<b>Net Other Change No.</b>	<b>Balance at 30 June 2015 No.</b>
D.J. Williams	30,370,890	-	(6,998,900)	23,371,990
A.D. McCallum	477,497	-	-	477,497
H.F. Oxe r	207,013	-	-	207,013
M. Johnston	30,000	-	-	30,000
L. Hoare	-	-	10,000	10,000
P.J. Powell *	-	-	352,074	352,074
J. Sharman	609,230	-	(500,000)	109,230
M. Edwards	-	-	-	-
	<u>31,694,630</u>	<u>-</u>	<u>(7,136,826)</u>	<u>24,557,804</u>

\* - Mr. Powell joined the Board on 17 December 2014 and at that time indirectly held 352,074 shares.

Medical Developments International Limited  
Annual Financial Report

<b>2014</b>	<b>Balance at 30 June 2013</b>	<b>Issued during the year</b>	<b>Net Other Change</b>	<b>Balance at 30 June 2014</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
D.J. Williams	30,202,225	-	168,665	30,370,890
A.D. McCallum	470,095	-	7,402	477,497
H.F. Oxe	203,804	-	3,209	207,013
M. Van Ryn	1,321,029	-	5,057	1,326,086
M. Johnston	20,000	-	10,000	30,000
L. Hoare	-	-	-	-
J. Sharman	769,230	-	(160,000)	609,230
M. Edwards	-	-	-	-
	<b>32,986,383</b>	<b>-</b>	<b>34,333</b>	<b>33,020,716</b>

*Remuneration Policy*

The board continues to set remuneration at a level that will attract directors and executives of high calibre. The two key elements are:

- base salary and fees, which are determined by reference to the market rate based on payments at similar sized companies in the industry; and
- Performance incentives, which have two components – short term incentives based on achieving key performance indicators during the year and payable in cash, and long-term incentives payable in equity, the value of which depends on the share price of the company.

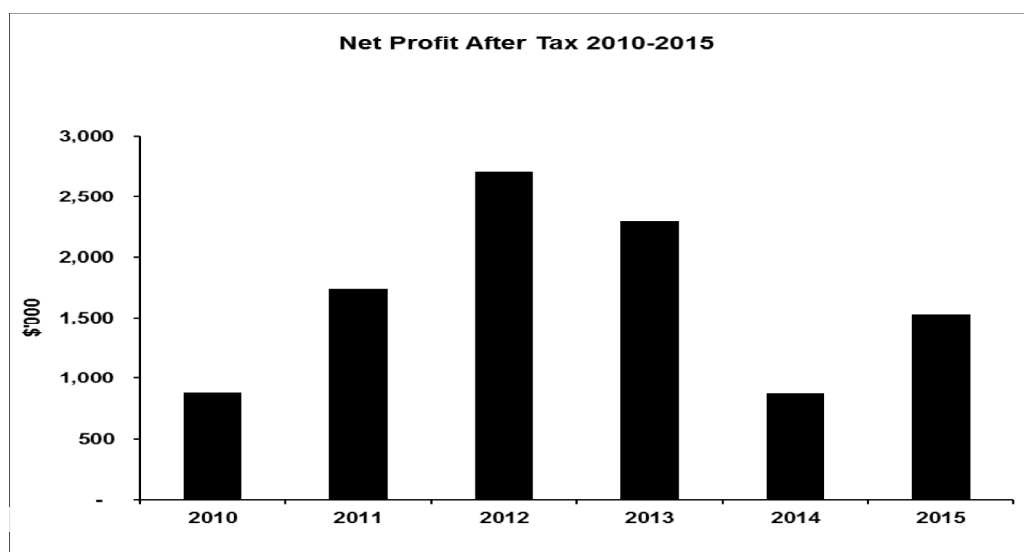
The remuneration and nominations committee, comprised of D.J. Williams and A.D. McCallum, determines the salary package of the CEO of the company and reviews the compensation of the non-executive directors on an annual basis. Changes are approved by the board as a whole.

*Relationship between the Remuneration Policy and Company Performance*

The board aims to ensure there is a strong link between company performance and remuneration and believes that the use of performance incentives ensures that company performance is reflected in the quantum of payments made to executives. Performance metrics are selected to ensure that the interests of management are aligned with those of shareholders. For short term incentives, key metrics are NPAT (net profit after tax), used to directly link company earnings and cash bonuses and other operational measures, the achievement of which provides the basis for future growth and profitability.

The table and graph below depict the company's earnings for the current financial year and the previous five financial years, which demonstrate that the company has been consistently profitable.

Medical Developments International Limited  
Annual Financial Report



Years	2010 \$'000	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000
Revenue	8,296	10,206	11,313	11,733	9,370	11,608
NPBT	1,273	2,495	3,789	3,192	641	2,176
NPAT	879	1,743	2,704	2,309	875	1,529

The following table shows the company's share prices for the current financial year and the previous four financial years.

	2010	2011	2012	2013	2014	2015
Share price - start (\$)	0.18	0.22	0.40	0.79	1.27	1.32
Share price - end (\$)	0.22	0.40	0.79	1.27	1.32	2.68
Interim Dividend (cps)*	-	-	3.00	3.00	-	-
Final Dividend (cps)*	-	3.00	3.00	2.00	-	-
Basic Earnings per Share (cps)	1.70	3.40	5.10	4.10	1.50	2.64
Diluted Earnings per Share (cps)	1.70	3.40	5.10	4.10	1.50	2.64

\*Franked to 100% at 30% corporate income tax rate.

### Dividends

There has been no dividend declared for the full year ended 30 June 2015.

### ***Elements of director and executive remuneration***

Remuneration packages contain the following key elements:

1. Primary benefits – salary/fees and cash bonuses
2. Post-employment benefits – superannuation
3. Equity – rights to shares granted under the Chief Executive Officer Long Term Incentive Plan (CEO LTIP).

Medical Developments International Limited  
Annual Financial Report

The following table discloses the remuneration of the directors of the company in 2015:

2015	Short-Term Employee Benefits		Post Employment	Long-term employee benefits	Share-Based Payments	Total
	Salary & Fees \$	Bonus \$	Super-annuation \$	Long service leave \$	Options & Rights \$	\$
<i>Directors</i>						
D. J. Williams	54,795	-	5,205	-	-	60,000
A. D. McCallum	34,247	-	3,253	-	-	37,500
H. F. Oxer	34,247	-	3,253	-	-	37,500
M. Van Ryn (resigned 28 July 2014)	2,854	-	271	-	-	3,125
M. Johnston	34,247	-	3,253	-	-	37,500
L. Hoare	34,247	-	3,253	-	-	37,500
P.J. Powell (appointed 17 December 2014)	12,843	-	6,928	-	-	19,771
	207,480	-	25,416	-	-	232,896

The following table discloses the remuneration of the key executives of the company in 2015:

2015	Short-term employee benefits		Post Employment	Long-term employee benefits	Share-Based Payments	Total
	Salary & Fees \$	Bonus \$	Super-annuation \$	Long service leave \$	Options & Rights \$	\$
<i>Executives</i>						
J. Sharman(Chief Executive Officer)	275,132	-	24,868	8,161	-	308,161
M. Edwards (Company Secretary)	141,876	-	13,478	277	-	155,631
	417,008	-	38,346	8,438	-	463,792

The following table discloses the remuneration of the directors of the company in 2014:

2014	Short-Term Employee Benefits		Post Employment	Long-term employee benefits	Share-Based Payments	Total
	Salary & Fees \$	Bonus \$	Super-annuation \$	Long service leave \$	Options & Rights \$	\$
<i>Directors</i>						
D.J. Williams	54,919	-	5,080	-	-	59,999
A.D. McCallum	34,325	-	3,175	-	-	37,500
H. F. Oxer*	56,293	-	5,207	-	-	61,500
M. Van Ryn (resigned 28 July 2014)	34,325	-	3,175	-	-	37,500
M. Johnston	34,325	-	3,175	-	-	37,500
L. Hoare (appointed 27 September 2013)	26,008	-	2,406	-	-	28,414
	240,195	-	22,218	-	-	262,413

\*Dr Oxer's remuneration includes Directors Fees (\$37,500) and Medical Consultant Fees (\$24,000).

Medical Developments International Limited  
Annual Financial Report

The following table discloses the remuneration of the key executives of the company in 2014:

2014	Short-term employee benefits		Post Employment	Long-term employee benefits	Share-Based Payments	Total
	Salary & Fees \$	Bonus \$	Super-annuation \$	Long service leave \$	Options & Rights \$	\$
<i>Executives</i>						
J. Sharman (Chief Executive Officer)	276,007	-	24,296	6,187	-	306,490
W. Gouveia (Company Secretary, resigned 23 October 2013) *	49,231	4,577	4,400	-	-	58,208
A. Manhire (Company Secretary, appointed 25 November 2013, resigned 10 June 2014) *	70,654	-	6,197	-	-	76,851
M. Edwards (Company Secretary, appointed 10 June 2014)	10,732	-	993	8	-	11,732
	406,624	4,577	35,886	6,195	-	453,282

\* Included in Mrs Gouveia's remuneration are termination benefits of \$6,536 disclosed as part of Salaries & Fees.

\* Included in Mr Manhire's remuneration are termination benefits of \$3,636 disclosed as part of Salaries & Fees.

With exception of Mrs Gouveia whose remuneration comprised of an 8% performance related component, no other director or key management personnel remuneration contained a performance related component.

No key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

***Elements of remuneration related to performance***

Fees paid to non-executive directors are not directly tied to performance. Salaries paid to the key executives are also not directly tied to performance. The short term and long-term incentive programmes are directly related to performance, and the conditions and assessment methods are explained below.

**Short-term incentives**

The determination and approval of any potential bonuses is at the discretion of the Board. During the 2015 financial year, discretionary bonuses totalling \$nil (2014: \$4,577) were determined and approved by the Remuneration and Nominations Committee in relation to key management personnel in respect of their performance in the 2014 financial year.



Medical Developments International Limited  
Annual Financial Report

Contracts for services

Mr Sharman is employed under an open-ended contract with a notice period of three months. The contract does not provide for any termination payments beyond payment for the notice period and any accrued annual leave.

Mr Edwards is employed under an open-ended contract with a notice period of four weeks. The contract does not provide for any termination payments beyond payment for the notice period and any accrued annual leave.

**Non-audit services**

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The non-audit services related to the provision of taxation and other accounting and assurance services and totalled \$48,800. The directors do not believe that the provision of advice of this nature compromises the general principles relating to auditor's independence, as set out by the Institute of Chartered Accountants in Australia.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 7 to the financial statements.

**Auditor's independence declaration**

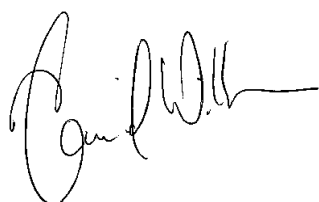
The auditor's independence declaration is included on page 25 of the annual report.

**Rounding off of amounts**

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the 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.298(2) of the Corporations Act 2001.

On behalf of the directors.

A handwritten signature in black ink, appearing to read 'David Williams', with a long horizontal stroke extending to the right.

David Williams  
Chairman  
Melbourne, 21 August 2015

The Board of Directors  
Medical Developments International Limited  
7/56 Smith Road  
Springvale VIC 3171

21 August 2015

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.

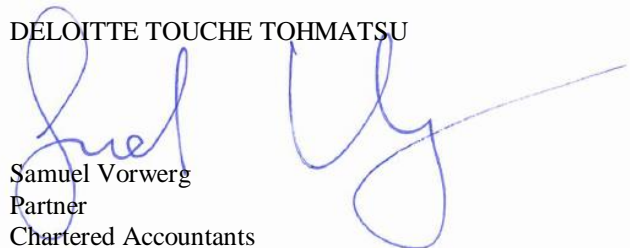
As lead audit partner for the audit of the financial statements of Medical Developments International Limited for the financial year ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) The auditor independence requirements of the Corporations Act 2001 in relation to the audit
- (ii) Any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

  
Samuel Vorweg  
Partner  
Chartered Accountants

## **Independent Auditor's Report to the Members of Medical Developments International Limited**

### *Report on the Financial Report*

We have audited the accompanying financial report of Medical Developments International Limited, which comprises the statement of financial position as at 30 June 2015, statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 28 to 69.

### *Directors' Responsibility for the Financial Report*

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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and 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 consolidated financial statements comply with International Financial Reporting Standards.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those 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 report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, 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 company's internal control. 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 report.

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

### *Auditor's Independence Declaration*

In conducting our audit, 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 report.

## *Opinion*

In our opinion:

- (a) the financial report of Medical Developments International Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

## *Report on the Remuneration Report*

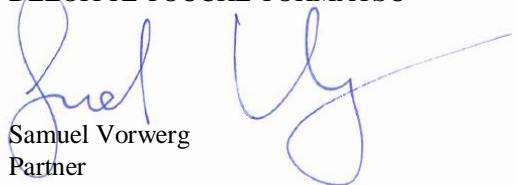
We have audited the Remuneration Report included in pages 18 to 24 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Opinion*

In our opinion the Remuneration Report of Medical Developments International Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



Samuel Vorweg

Partner

Chartered Accountants

Melbourne, 21 August 2015

Medical Developments International Limited  
Annual Financial Report

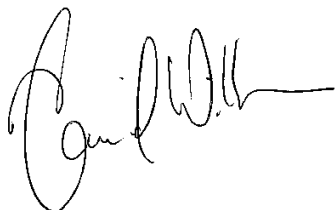
**Directors' Declaration**

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;
- 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;
- c) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 of the financial statements; and
- d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'David Williams', with a long horizontal stroke extending to the right.

David Williams  
Chairman  
Melbourne, 21 August 2015

Medical Developments International Limited  
Annual Financial Report

**Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Financial Year Ended 30 June 2015**

	Note	2015 \$'000	2014 \$'000
Revenue from sale of goods	4(a)	11,608	9,370
Cost of sales		(3,554)	(3,050)
<b>Gross profit</b>		8,054	6,320
Other income	4(a)	116	47
Distribution expenses		(587)	(516)
Marketing expenses		(1,165)	(1,560)
Occupancy expenses		(396)	(390)
Administration expenses		(2,030)	(1,742)
Regulatory and registration expenses		(791)	(960)
Finance expenses		(81)	(156)
Other expenses		(944)	(402)
<b>Profit before income tax expense</b>		2,176	641
Income tax (expense)/benefit	5(a)	(647)	234
<b>Profit for the year</b>		1,529	875
<b>Other Comprehensive Income</b>			
<b>Items that may be reclassified subsequently to profit or loss, net of income tax</b>			
Exchange differences on translating foreign operations	21	54	(20)
<b>Total comprehensive income for the year</b>		1,583	855
<b>Profit for the year attributable to:</b>			
Owners of the parent		1,529	875
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the parent		1,583	855
<b>Earnings per share:</b>			
Basic (cents per share)	23	2.6	1.5
Diluted (cents per share)	23	2.6	1.5

Notes to the financial statements are included on pages 33-69

Medical Developments International Limited  
Annual Financial Report

**Consolidated Statement of Financial Position as at 30 June 2015**

	Note	30 June 2015 \$'000	30 June 2014 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	29(a)	954	1,659
Trade and other receivables	8	1,819	1,808
Inventories	9	1,887	1,446
Current tax assets	5(c)	-	512
Other	10	175	153
<b>Total Current Assets</b>		<b>4,835</b>	<b>5,578</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	12	1,522	1,125
Deferred tax assets	5(d)	143	104
Goodwill	13	7,368	7,368
Other intangible assets	14	9,120	8,385
<b>Total Non-Current Assets</b>		<b>18,153</b>	<b>16,982</b>
<b>Total Assets</b>		<b>22,988</b>	<b>22,560</b>
<b>Current Liabilities</b>			
Trade and other payables	15	1,231	1,092
Borrowings	16	92	3,089
Provisions	17	215	180
Current tax liabilities	5(c)	294	-
<b>Total Current Liabilities</b>		<b>1,832</b>	<b>4,361</b>
<b>Non-Current Liabilities</b>			
Deferred tax liabilities	5(e)	1,703	1,414
Borrowings	16	1,019	573
Provisions	18	93	70
Other	19	934	318
<b>Total Non-Current Liabilities</b>		<b>3,749</b>	<b>2,375</b>
<b>Total Liabilities</b>		<b>5,581</b>	<b>6,736</b>
<b>Net Assets</b>		<b>17,407</b>	<b>15,824</b>
<b>Equity</b>			
Issued capital	20	10,946	10,946
Reserves	21	21	(33)
Retained earnings	22	6,440	4,911
<b>Total Equity</b>		<b>17,407</b>	<b>15,824</b>

Notes to the financial statements are included on pages 33-69

Medical Developments International Limited  
Annual Financial Report

## Consolidated Statement of Changes in Equity for the Financial Year Ended 30 June 2015

	Issued capital \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Total \$'000
<b>Opening balance</b>	10,946	4,911	(33)	15,824
Profit for the year	-	1,529	-	1,529
Other comprehensive income for the year, net of income tax	-	-	54	54
Total comprehensive income for the year	-	1,529	54	1,583
Dividends reinvested in the form of shares	-	-	-	-
Dividends paid	-	-	-	-
Transfer to retained earnings	-	-	-	-
<b>Closing balance</b>	10,946	6,440	21	17,407

### Financial year ended 30 June 2014

	Issued capital \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Total \$'000
<b>Opening balance</b>	10,559	5,183	(13)	15,729
Profit for the year	-	875	-	875
Other comprehensive income for the year, net of income tax	-	-	(20)	(20)
Total comprehensive income for the year	-	875	(20)	855
Share based payment	-	-	-	-
Shares subscribed for under CEO LTIP	-	-	-	-
Dividends reinvested in the form of shares	387	(387)	-	-
Dividends paid	-	(760)	-	(760)
Transfer to retained earnings	-	-	-	-
<b>Closing balance</b>	10,946	4,911	(33)	15,824

Notes to the financial statements are included on pages 33-69



Medical Developments International Limited  
Annual Financial Report

**Consolidated Statement of Cash Flows for the Financial Year Ended 30 June 2015**

	Note	2015 \$'000	2014 \$'000
<b><i>Cash flows from operating activities</i></b>			
Receipts from customers		12,135	10,060
Payments to suppliers and employees		(9,245)	(9,128)
Receipts from government grants		111	-
Other income		-	25
Interest paid		(65)	(156)
Income tax received		423	494
Net cash generated by operating activities	29(b)	3,359	1,295
<b><i>Cash flows from investing activities</i></b>			
Interest received		5	22
Payments for plant and equipment		(555)	(322)
Payments for other intangible assets		(957)	(1,537)
Net cash used in investing activities		(1,507)	(1,837)
<b><i>Cash flows from financing activities</i></b>			
Dividends paid	24	-	(760)
Proceeds from/(payment for) hire purchase finance	16	(46)	144
Proceeds from/(repayment of) borrowings	16	(2,534)	2,075
Net cash (used in)/generated by financing activities		(2,580)	1,459
<b><i>Net (decrease)/increase in cash and cash equivalents</i></b>		(728)	917
<b><i>Cash and cash equivalents at the beginning of the financial year</i></b>		1,659	768
Effects of exchange rate changes on the balance of cash held in foreign currencies		23	(26)
<b><i>Cash and cash equivalents at the end of the financial year</i></b>	29(a)	954	1,659

*Notes to the financial statements are included on pages 33-69*

Medical Developments International Limited  
Annual Financial Report

## Notes to the Financial Statements for the Financial Year Ended 30 June 2015

### *1. Significant accounting policies*

#### **Statement of Compliance**

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group.

For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 21 August 2015.

#### **Basis of Preparation**

The consolidated financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Medical Developments International Limited  
Annual Financial Report

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise noted.

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

### **Significant accounting policies**

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

#### *(a) Borrowings*

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

Medical Developments International Limited  
Annual Financial Report

*(b) Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

*(c) Employee benefits*

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of wages and salaries, annual leave and sick leave expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of annual leave and long service leave which are not expected to be settled within 12 months are measured using an estimate of the present value of the future cash outflows to be made by the company in respect of services provided by employees up to reporting date.

*(d) Financial assets*

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method less impairment.

Interest income is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

*(e) Financial instruments issued by the company*

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which they relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and would not have been incurred had those instruments not been issued.

Medical Developments International Limited  
Annual Financial Report

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

*(f) Foreign currency*

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars ('\$'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise, except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks below for hedging accounting policies; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

Medical Developments International Limited  
Annual Financial Report

*(g) Goods and services tax*

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

*(h) Goodwill*

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is recognised as an asset and not amortised but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and is not subsequently reversed. Refer also to note 1(j).

*(i) Government grants*

Government grants are assistance by the government in the form of transfers of resources to the company in return for past or future compliance with certain conditions relating to the operating activities of the company. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the company other than the requirement to operate in certain regions or industry sectors.

Government grants relating to income are recognised as income over the periods necessary to match them with the related costs. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the company with no future related costs are recognised as income of the period in which it becomes receivable.

Government grants relating to assets are treated as deferred income and recognised in the profit and loss over the expected useful lives of the assets concerned.

Medical Developments International Limited  
Annual Financial Report

*(j) Impairment of assets*

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed. Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss (other than Goodwill) subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

*(k) Income tax*

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Where the Group qualifies for the research and development tax incentive refund (at 45%), this reduces the current tax expense recognised in profit and loss for the period.

Medical Developments International Limited  
Annual Financial Report

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

*(I) Intangible assets*

Patents, trademarks and licenses

Patents, trademarks and licenses are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives of 10 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.



Medical Developments International Limited  
Annual Financial Report

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally-generated intangible assets in respect of development costs are stated at cost less accumulated amortisation and impairment, and are amortised on a straight-line basis over their estimated useful life of 5 years commencing from the date that revenue results.

Registration costs

Items of expenditure on registrations are capitalised to the extent that such costs can be measured reliably, future economic benefits are attributable to the expenditure, and it is probable that such future economic benefits will eventuate.

Any capitalised registration costs are amortised over a period of 5 - 20 years in which the corresponding benefits are expected to arise, commencing from commercial sales to any of the countries for which the registration costs contributed to a successful registration.

The unamortised balance of registration costs capitalised in previous periods is reviewed regularly at each reporting date, to ensure the criteria for deferral continue to be met. Where such costs are no longer recoverable, they are written off as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

*(m) Inventories*

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Medical Developments International Limited  
Annual Financial Report

*(n) Leases*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. The company currently does not have any finance leases. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

*(o) Financial Liabilities*

Trade payables and other accounts payable are classified as financial liabilities and are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services. Financial liabilities are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

*(p) Plant and equipment*

Plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of the acquisition. Other than the charge over the groups assets held in relation to the bank bill loan, all other assets are not encumbered by any additional charge or mortgage.

Depreciation

Depreciation is provided on plant and equipment and is calculated on a straight line basis so as to write off the cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Leasehold improvements	5 years
Plant and equipment	4 -10 years

Medical Developments International Limited  
Annual Financial Report

*(q) Provisions*

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

Dividends

A liability is recognised for dividends when they have been declared, determined or publicly recommended by the directors on or before the reporting date.

*(r) Revenue recognition*

Sale of goods

Revenue from the sale of goods is recognised when the company has transferred to the buyer the significant risks and rewards of ownership of the goods.

Interest income

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

*(s) Share based payments*

Equity-settled share-based payments granted are measured at fair value at the date of grant. Fair value is measured by use of a Monte Carlo valuation model.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of options that will eventually vest.

*(t) Research and development recoveries*

R&D tax credits receivable as compensation for expenses or losses already incurred by the Company with no future related costs are recognised in profit or loss in the period in which they are quantified and become receivable. The company applies the income tax approach for the accounting and presentation of the R&D tax credit. Accordingly the tax benefit is presented as a reduction of income tax expense in the Statement of Profit or loss and other Comprehensive Income.

Medical Developments International Limited  
Annual Financial Report

*(u) Application of new and revised Accounting Standards*

***Standards and interpretations affecting amounts reported in the current period (and/or prior periods)***

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported and/or disclosures in these financial statements.

**Standards affecting presentation and disclosure**

<p>AASB 1031 'Materiality', AASB 2013-9 'Amendments to Australian Accounting Standards' – Conceptual Framework, Materiality and Financial Instruments' (Part B: Materiality), AASB 2014-1 'Amendments to Australian Accounting Standards' (Part C: Materiality)</p>	<p>The revised AASB 1031 is an interim standard that cross-references to other Standards and the 'Framework for the Preparation and Presentation of Financial Statements' (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations. Once all of these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031, AASB 2013-9 (Part B) and AASB 2014-1 (Part C) does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.</p>
<p>AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'</p>	<p>The amendments to AASB 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by AASB 13 'Fair Value Measurements'.</p> <p>The application of these amendments does not have any material impact on the disclosures in the Group's consolidated financial statements</p>

Medical Developments International Limited  
Annual Financial Report

**Standards and Interpretations affecting the reported results or financial position**

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

***Standards and Interpretations in issue not yet adopted***

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The Company does not expect that upon adoption that there will be any significant impact on the financial statements.

<b>Standards/Interpretations</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
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 2017	30 June 2018
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016

Medical Developments International Limited  
Annual Financial Report

**2. Critical accounting judgements and key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value.

The carrying amount of goodwill at the balance sheet date was \$7,368K (2014: \$7,368K). Details of the impairment calculation are provided in note 13.

Amortisation of capitalised registration costs

During the year, management reviewed the unamortised balance of registration costs capitalised in previous periods. Consideration was given to the cost for each classification of capitalised costs to determine whether the corresponding benefits are likely to arise. Developments continue on the unamortised categories of registration costs capitalised in prior periods, and once revenue has been generated in these categories, the balances will be amortised. At the reporting date there was no indication that any of the internally generated intangible assets, relating to registration costs, were impaired. Management continually reassess the appropriateness of useful lives assigned to each individual category of registration costs. This situation will be closely monitored, and amortisation will be recognised in future periods as corresponding economic benefits flow. Details of the capitalised registration costs are provided in Note 14.

Going Concern

The FY15 Financial statements have been prepared on a going concern basis. The going concern assumption continues to apply to Medical Developments International Ltd as at 30 June 2015 as the Group continues to be profitable, generates positive operating cash flows, has significantly reduced its external loan facility balance and continues to be in a positive net asset position, which enables the Group to meet its debts and obligations as and when they fall due.

Medical Developments International Limited  
Annual Financial Report

### 3. 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 Pentrox<sup>®</sup> primarily within Australia and New Zealand and with some sales in Eastern Europe, the Middle East, and South America.
- Medical Devices – the sale of medical devices, particularly the Space Chamber and Breath-Alert Peak-Flow meters, primarily within Australia and New Zealand, but with some sales in Asia, Europe, the Middle East and North America.
- Veterinary Products – the sale of veterinary products within Australia, Europe, and the United States.

No operating segments have been aggregated in arriving at the reportable segments of the group.

There have also been no sales between reportable segments

#### Segment revenues and results

	Pharmaceuticals		Medical Equipment		Veterinary Equipment		Unallocated		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Revenues:</b>										
External sales	7,092	5,377	4,078	3,503	438	490	-	-	11,608	9,370
Other income (excluding interest)	-	-	-	-	-	-	111	25	111	25
<b>Total revenue</b>									<b>11,719</b>	<b>9,395</b>
<b>Results:</b>										
Segment results	3,456	2,389	270	53	281	131			4,007	2,573
Unallocated							(1,377)	(1,480)	(1,377)	(1,480)
<b>Profit before interest, income tax depreciation &amp; amortisation</b>	<b>3,456</b>	<b>2,389</b>	<b>270</b>	<b>53</b>	<b>281</b>	<b>131</b>	<b>(1,377)</b>	<b>(1,480)</b>	<b>2,630</b>	<b>1,093</b>
Depreciation & Amortisation	(235)	(207)	(44)	(19)	(6)	(3)	(93)	(89)	(378)	(318)
<b>Profit before interest and tax</b>	<b>3,221</b>	<b>2,182</b>	<b>226</b>	<b>34</b>	<b>275</b>	<b>128</b>	<b>(1,470)</b>	<b>(1,569)</b>	<b>2,252</b>	<b>775</b>
Net Interest							(76)	(134)	(76)	(134)
<b>Profit before income tax expense</b>							<b>(1,546)</b>	<b>(1,703)</b>	<b>2,176</b>	<b>641</b>
Income tax benefit/(expense)							(647)	234	(647)	234
<b>Net profit for the period from continuing operations</b>							<b>(2,193)</b>	<b>(1,469)</b>	<b>1,529</b>	<b>875</b>
<b>Assets and Liabilities</b>										
Assets	15,504	13,982	5,162	5,049	859	852	1,463	2,677	22,988	22,560
Liabilities	-	-	-	-	-	-	5,581	6,736	5,581	6,736
<b>Other Segment Information</b>										
Acquisition of segment assets	1,279	1,460	193	194	14	6	23	215	1,509	1,875

Medical Developments International Limited  
Annual Financial Report

**3. Segment information (continued)**

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 1. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Liabilities are not disclosed per segment as it is not possible to track these on a segment basis.

**Revenue from major products and services**

Revenue from major products and services has not been presented as it is not considered practicable to do so.

**Geographical information**

The Group operates in three principal geographical areas: Australia (country of domicile); New Zealand; and "International" comprising Eastern Europe, Germany, Canada, Middle East and South America.

The Group's revenue from continuing operations from external customers and information about its non-current assets by location of assets are detailed below:

Geographical Information	Revenue from external customers		Revenue from external customers	
	2015		2014	
	\$000's	%	\$000's	%
Australia	7,586	65.4%	6,659	71.1%
New Zealand	1,394	12.0%	1,372	14.6%
International	2,628	22.6%	1,339	14.3%
	11,608	100.0%	9,370	100.0%

The Group's non-current assets by location are detailed below:

Non-Current Segment Assets	Australia	Overseas	Total
	\$000's	\$000's	\$000's
Leasehold improvements at cost	250	-	250
Plant and equipment at cost	1,023	249	1,272
Goodwill at gross carrying amount	7,368	-	7,368
Other intangible assets at cost	9,113	7	9,120
Deferred tax asset	-	143	143
	17,754	399	18,153



Medical Developments International Limited  
Annual Financial Report

**3. Segment information (continued)**

**Information about major customers**

The Group's two largest customers who contributed to the Group's revenue from external sales for both 2015 and 2014 are below. No other single customer contributed 10% or more to the Group's revenue for both 2015 and 2014.

Top Customers with > 10% sales	2015 \$'000's	% Total Sales	2014 \$'000's	% Total Sales	Segment
Customer A	1,070	9.2%	1,035	11.0%	Pharmaceutical/Medical Equipment
Customer B	1,019	8.8%	1,004	10.7%	Pharmaceutical/Medical Equipment
	<u>2,089</u>		<u>2,039</u>		

**4. Items included in profit and loss**

**(a) Revenue and other income**

	2015 \$'000	2014 \$'000
Revenue from sale of goods	11,608	9,370
Interest revenue - bank deposits	5	22
Other Income	-	25
Government grant income	111	-
	<u>11,724</u>	<u>9,417</u>

**(b) Expense items included in profit and loss**

Profit before income tax has been arrived at after charging the following expenses:

Depreciation of non-current assets	(233)	(223)
Amortisation of non-current assets	(144)	(95)
Research & development costs immediately expensed	(129)	(51)
Operating lease rental expenses - minimum lease payments	(167)	(155)
Gain/(loss) on foreign currency transactions	32	(51)

**Finance Expenses**

Interest on bank loans	(58)	(125)
Interest on other loans/hire purchase arrangements	(23)	(31)
	<u>(81)</u>	<u>(156)</u>

**Employee benefit expense:**

Short-term employee benefits	(2,624)	(2,362)
Superannuation contributions	(344)	(305)

Medical Developments International Limited  
Annual Financial Report

**5. Income Taxes**

2015	2014
\$'000	\$'000

**(a) Income tax recognised in profit or loss**

Tax expense comprises:

Current tax expense	659	(375)
Adjustments recognised in the current year in relation to the current tax of prior year	41	(334)
Deferred tax expense in relation to the deferred tax of prior year	-	10
Deferred tax expense relating to the origination and reversal of temporary differences	(53)	465
Total tax expense/(benefit)	647	(234)

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax

Profit from operations	2,176	641
Income tax calculated at 30%	653	192
Research & development expense	(53)	(107)
Effect of expenses that are not deductible in determining taxable profit	6	5
Adjustments recognised in the current year in relation to the current tax of prior year	41	(334)
Deferred tax expense in relation to the deferred tax of prior year	-	10
Income tax expense recognised in the Statement of Profit or Loss and Other Comprehensive Income	647	(234)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

**(b) Income tax recognised directly in equity**

No current and deferred tax amounts have been charged directly to equity during the period (2014: \$nil)

**(c) Current tax assets/liabilities**

Income tax receivable (payable)/receivable	(294)	512
--	-------	-----

Medical Developments International Limited  
Annual Financial Report

**5. Income Taxes (continued)**

**(d) Deferred tax asset (non-current)**

Tax losses

2015	2014
\$'000	\$'000

-	104
---	-----

**(e) Deferred tax liabilities**

Temporary differences (i)

(1,560)	(1,414)
---------	---------

Taxable/Deductible temporary differences arise from the following:

2015	Opening balance \$'000	Charged to income \$'000	Closing balance \$'000
<b>Deferred tax assets/(liabilities):</b>			
Accrued expenses *	51	141	192
Deferred grant revenue	95	-	95
Other assets	(2)	-	(2)
Other Intangibles	(1,678)	(349)	(2,027)
Property, Plant & Equipment	20	(8)	12
Provisions	95	47	142
Tax losses	104	(104)	0
Unrealised foreign exchange losses	5	23	28
	(1,309)	(250)	(1,560)

\*- \$143,000 relates to a deferred tax asset relating to the operations of the UK entity (a foreign tax jurisdiction). This component of the deferred tax asset has therefore been separately disclosed within the statement of financial position.

2014	Opening balance \$'000	Charged to income \$'000	Closing balance \$'000
<b>Deferred tax assets/(liabilities):</b>			
Accrued expenses	21	30	51
Deferred grant revenue	95	-	95
Other assets	(3)	1	(2)
Other Intangibles	(1,173)	(505)	(1,678)
Property, Plant & Equipment	23	(3)	20
Provisions	120	(25)	95
Tax losses	61	43	104
Unrealised foreign exchange losses	21	(16)	5
	(835)	(475)	(1,310)

Medical Developments International Limited  
Annual Financial Report

**6. Key management personnel compensation**

The aggregate compensation of the key management personnel of the company and the Group is set out below:

	2015 \$000's	2014 \$000's
Short-term employee benefits	625	642
Post employment benefits	64	58
Long term employee benefits	8	6
Share based payments	-	-
Termination benefits	-	10
	<u>697</u>	<u>716</u>

**7. Remuneration of auditors**

	2015 \$	2014 \$
<b>Auditor of the parent entity</b>		
Audit or review of the financial report	79,000	74,100
Taxation services	18,800	17,500
Other services	30,000	-
	<u>127,800</u>	<u>91,600</u>

The auditor of the entity is Deloitte Touche Tohmatsu. The other services relate to accounting advice and additional assurance services relating to government grant applications.

**8. Current receivables**

	2015 \$'000	2014 \$'000
Trade receivables	1,777	1,770
Allowance for doubtful debts	-	-
GST recoverable	42	38
	<u>1,819</u>	<u>1,808</u>

The average credit period on sales of goods to domestic customers is 30 days; international customers 60 days. No interest is charged on trade receivables.

The Group has a credit policy in place to reduce its credit risks to significant debtors. Of the trade receivables balance at the end of the year, \$236,222 (2014: \$640,615) is due from the Group's two largest customers (Refer to Note 3).

Medical Developments International Limited  
Annual Financial Report

Included in the trade receivable balance are debtors with a carrying amount of \$91,046 (2014: \$135,616) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of past due but not impaired

	2015 \$'000	2014 \$'000
60 - 90 days	9	22
> 90 days	82	114
Total	91	136

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

**9. Current inventories**

	2015 \$'000	2014 \$'000
Raw materials:		
At cost	709	623
Work in progress:		
At cost	334	194
Finished goods:		
At cost	858	647
Provision for obsolescence	(14)	(18)
	1,887	1,446

The provision for obsolescence at 30 June 2015 represents predominately obsolete packing materials.

**10. Other current assets**

	2015 \$'000	2014 \$'000
Prepayments	175	138
Other receivables	-	15
	175	153

Medical Developments International Limited  
Annual Financial Report

### 11. Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows.

Name of Subsidiary	Principle activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			30/06/15	30/06/14
Medical Developments UK Limited	Distribution of pharmaceutical drug and medical and veterinary equipment	United Kingdom	100%	100%

### 12. Property, Plant & Equipment

	Leasehold improvements at cost \$'000	Plant and equipment at cost \$'000	Total \$'000
<b>Gross carrying amount</b>			
Balance at 1 July 2013	515	2,600	3,115
Additions	76	247	323
Disposals	(36)	23	(13)
Balance at 30 June 2014	555	2,870	3,425
Additions	64	489	553
Transfers	-	78	78
Balance at 30 June 2015	619	3,437	4,056
<b>Accumulated depreciation</b>			
Balance at 30 June 2013	(218)	(1,871)	(2,089)
Depreciation expense	(71)	(152)	(223)
Disposals	1	11	12
Balance at 30 June 2014	(288)	(2,012)	(2,300)
Depreciation expense	(80)	(154)	(234)
Disposals	-	-	-
Balance at 30 June 2015	(368)	(2,166)	(2,534)
<b>Net book value</b>			
As at 30 June 2014	267	858	1,125
As at 30 June 2015	251	1,271	1,522

Medical Developments International Limited  
Annual Financial Report

**13. Goodwill**

	2015 \$'000	2014 \$'000
<b>Gross carrying amount</b>		
Balance at beginning of financial year	7,368	7,368
Balance at end of financial year	7,368	7,368
<b>Net book value</b>		
Balance at beginning of financial year	7,368	7,368
Balance at end of financial year	7,368	7,368

During the year, the company assessed the recoverable amount of goodwill and determined that there was no impairment (2014: \$nil).

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to three individual cash-generating units: pharmaceutical business, medical devices business and veterinary equipment business. The carrying amount of goodwill allocated to cash-generating units is as follows:

	2015 \$'000	2014 \$'000
Pharmaceuticals	3,808	3,808
Medical devices	2,979	2,979
Veterinary equipment	581	581
	7,368	7,368

The recoverable amount of all three cash-generating units is based on a value in use calculation for each unit which uses cash flow projections based on a five-year projection period and terminal value. The Board of Directors approved financial budget for the following year is used to determine the cash flows for year 1.

Recoverable amount testing has been based on EBITDA growth rates for years 2-5 of:

Pharmaceuticals:	12.5% based on expansion into new markets
Medical Devices:	15% based on expansion into new markets
Veterinary equipment:	10% based on expansion into new markets

A terminal value after 5 years based on a long term growth rate of 2.5%, and a pre-tax discount rate of 14.06% per annum (2014: 15.09% per annum) have been used to calculate the carrying value of the intangible assets.

The key assumptions used in the value in use calculations for all units are:

- EBITDA growth – described above; and
- Gross margin – it is assumed that gross margin of the Pharmaceutical & Medical Devices segments will continue to improve following investment and activities aimed at improvement in the manufacturing process and procedures.

Medical Developments International Limited  
Annual Financial Report

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount for each of the three units is based would not cause the carrying amounts to exceed their recoverable amounts.

**14. Other intangible assets**

2015	Development \$'000	Patents & trademarks \$'000	Capitalised registration costs \$'000	Other \$'000	Total \$'000
<b>Gross carrying amount</b>					
Balance at 1 July 2013	898	365	6,070	-	7,333
Additions	640	36	876	-	1,552
Disposals	-	(18)	-	-	(18)
Balance at 30 June 2014	1,538	383	6,946	-	8,867
Additions	132	65	696	63	956
Transfer	(77)	-	-	-	(77)
Balance at 30 June 2015	1,593	448	7,642	63	9,746
<b>Accumulated amortisation</b>					
Balance at 1 July 2013	-	(104)	(287)	-	(391)
Amortisation expense	(48)	(32)	(11)	-	(91)
Balance at 30 June 2014	(48)	(136)	(298)	-	(483)
Amortisation expense	(71)	(41)	(32)	-	(144)
Balance at 30 June 2015	(119)	(177)	(330)	-	(626)
<b>Net book value</b>					
As at 30 June 2014	1,490	247	6,648	-	8,385
As at 30 June 2015	1,474	271	7,312	63	9,120

The amortisation charge for the year of \$111,000 (2014: \$95,000) has been included in administration expenses. For an explanation of amortisation periods refer Note 1(l).

**15. Current trade and other payables**

	2015 \$'000	2014 \$'000
Trade payables (i)	810	746
Accrued expenses	387	316
Employee benefits payable	32	28
PAYG withholding tax payable	2	2
	<u>1,231</u>	<u>1,092</u>

(i) The average credit period on purchase of goods is 30 days. No interest is charged on trade payables. The company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.



Medical Developments International Limited  
Annual Financial Report

**16. Borrowings**

	2015 \$'000	2014 \$'000
<b>Secured - at amortised cost</b>		
Hire Purchase (i)	115	147
Hire Purchase (ii)	52	66
Bank Bill (iii)	538	3,000
Other (iv)	406	449
	1,111	3,662
Current	92	3,089
Non-current	1,019	573
	1,111	3,662

*Summary of borrowing arrangements*

- (i) On 1 March 2013 the Group entered into a commercial loan agreement to fund the purchase of a new bottling station. During the current year the commercial loan agreement was converted into a Hire Purchase Agreement. The current weighted-average effective interest rate on the loan is 6.76% p.a. The agreement is secured by a registered charge over the equipment financed.
- (ii) On 4 September 2013 the Group entered into a Hire Purchase Agreement in relation to plant and equipment. The term is 5 years and the current weighted average effective interest rate on the loan is 6.54%. The agreement is secured by a registered charge over the equipment financed.
- (iii) The Bank Bill Facility with a variable interest rate and 90 day roll over period was renegotiated during the year. As at 30 June 2015, \$538,000 has been drawn upon and \$3,262,000 remains unused. The current weighted average effective interest rate on the bills is 4.34% p.a. The Bank Bill is secured by a registered charge over all of the Group's assets.
- (iv) On 29 June 2012, the group entered into an agreement with the Commonwealth Scientific and Industrial Research Organisation ("CSIRO") to fund the development of a new production process for the pain relieving ingredient used in Pentrox®. Funding is receivable at the commencement of each of three stages of development and is payable over a three year term upon the completion of the relevant stage. As at 30 June 2015, the stage 1a and 1b are complete. Should MDI default on the loan, CSIRO has the option to convert the debt into shares in MDI at fair market value. This funding is interest-free until the first anniversary of the completion of stages 1a and 2 and is then calculated at the Westpac Bank Lending Rate at the date the relevant note was issued, plus 2%. The funding for stage 2 is interest free.
- (v) The Group has an overdraft facility of \$200,000. As at 30 June 2015, this remains unused.

Medical Developments International Limited  
Annual Financial Report

**17. Current provisions**

	2015 \$'000	2014 \$'000
Employee benefits	215	180

**18. Non-current provisions**

	2015 \$'000	2014 \$'000
Employee benefits	93	70

The company has 29.5 full time equivalent employees at 30 June 2015 (2014: 26.0)

**19. Other non-current liabilities**

	2015 \$'000	2014 \$'000
Revenue received in advance	616	-
Unearned government grant income	318	318
	934	318

Unearned government grant income represents funds received through the Commercial Ready Programme from the Federal Government.

**20. Issued Capital**

	2015 No.	2015 \$'000	2014 No.	2014 \$'000
<b>Fully paid ordinary shares</b>				
Balance at beginning of financial year	57,725,143	10,946	57,420,703	10,559
Shares Issued - Dividends Reinvestment Plan			304,440	387
Balance at end of financial year	57,725,143	10,946	57,725,143	10,946

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Medical Developments International Limited  
Annual Financial Report

**21. Reserves**

	2015 \$'000	2014 \$'000
<b>(a) Foreign currency translation reserve</b>		
Balance at beginning of year	(33)	(13)
Exchange differences arising on translating the foreign operations	54	(20)
Balance at end of year	21	(33)

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Gains and losses on hedging instruments that are designated as hedging instruments for hedges of net investments in foreign operations are included in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) are reclassified to profit or loss on the disposal of the foreign operation.

**22. Retained earnings**

	2015 \$'000	2014 \$'000
Balance at beginning of financial year	4,911	5,183
Dividends paid	-	(760)
Dividends Reinvested	-	(387)
Net profit attributable to members	1,529	875
Balance at end of financial year	6,440	4,911

Medical Developments International Limited  
Annual Financial Report

**23. Earnings per share**

	2015 Cents per share	2014 Cents per share
Basic earnings per share	2.6	1.5
Diluted earnings per share	2.6	1.5

**Basic earnings per share**

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2015 \$'000	2014 \$'000
Earnings	1,529	875

	2015 No.	2014 No.
Weighted average number of ordinary shares	57,725,143	57,639,233

**Diluted earnings per share**

There is no difference from basic EPS in the calculation of diluted EPS.

Medical Developments International Limited  
Annual Financial Report

## 24. Dividends

There were no dividends declared for the full years ended 30 June 2015 and 30 June 2014.

A dividend of 2 cents per share was declared in respect of the financial year ended 30 June 2013. The resulting dividend was paid in the financial year ended 30 June 2014 with the company paying dividends of \$760,000 and the balance of \$387,000 issued as shares under the Dividend Reinvestment Plan.

	2015		2014	
	cents per share	\$'000	cents per share	\$'000
<b>Recognised amounts</b>				
<i>Fully paid ordinary shares</i>				
Final dividend franked to 30%	-	-	2.0	1,148
Interim dividend franked to 30%	-	-	-	-
	-	-	2.0	1,148

### Unrecognised amounts

*Fully paid ordinary shares*

Final dividend franked to 30%	-	-	2.0	1,148
		-		1,148

Adjusted franking account balance

2015	2014
\$'000	\$'000
106	529

## 25. Operating leases

Operating leases primarily relate to factory leases with remaining lease terms of up to 5 months and further 3 year options attached to each of these leases. The company does not have the option to purchase the leased asset at the expiry of the lease period.

	2015	2014
	\$'000	\$'000
<b>Non cancellable operating lease payments:</b>		
Not longer than 1 year	82	186
Longer than 1 year and not longer than 5 years	13	99
	95	285

Medical Developments International Limited  
Annual Financial Report

***26. Commitments for expenditure***

**(a) Capital expenditure commitments**

There were no capital expenditure commitments at 30 June 2015.

***27. Related party disclosures***

There were no related party transactions during the 2015 or 2014 financial years.

***28. Subsequent events***

There has not been any matter or circumstance that has arisen 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.

Medical Developments International Limited  
Annual Financial Report

**29. Notes to the Consolidated Statement of Cash Flows**

**(a) Reconciliation of cash and cash equivalents**

For the purposes of the Consolidated Statement of Cash Flows, cash includes cash on hand and in banks. Cash at the end of the financial year as shown in the Consolidated Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	2015 \$'000	2014 \$'000
Cash and cash equivalents	954	1,659
	<u>954</u>	<u>1,659</u>

**(b) Reconciliation of profit for the period to net cash flows from operating activities**

Profit for the period	1,529	875
Interest received	(5)	(22)
Depreciation and amortisation of non-current assets	377	318
Net foreign exchange (gain)	(32)	(18)
Loss on disposal of property, plant and equipment	-	14
Impairment loss on trade receivables	79	-
Increase in tax payable	806	(215)
Increase in deferred tax liability	250	518

*Movements in working capital*

Decrease/(increase) in assets:

Current receivables	(11)	534
Current inventories	(441)	(89)
Other current assets	(22)	(35)

Increase/(decrease) in liabilities:

Current payables	155	(572)
Current provisions	35	(21)
Other liabilities	616	-
Non-current provisions	23	9

Net cash from operating activities	<u>3,359</u>	<u>1,295</u>
------------------------------------	--------------	--------------

**(c) Financing facilities**

Unsecured bank overdraft facility, reviewed annually and payable at call:

Amount unused	200	200
	<u>200</u>	<u>200</u>

Bank bill facility with a 90 day roll over period:

Amount used	538	3,000
Amount unused	3,262	950
	<u>3,800</u>	<u>3,950</u>

Details of further financing facilities are disclosed in Note 16 and Note 28.

**(d) Non-cash transactions**

There was no dividend paid during the current year therefore no Dividend Reinvestment Plan arose.

The total amount of dividend re-invested in 2014 was \$387,000.

Medical Developments International Limited  
Annual Financial Report

### 30. Financial Instruments

#### (a) Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders. The Group does not enter into or trade financial instruments, including derivatives, for speculative purposes.

The capital structure of the Group consists of net debt (borrowings as detailed in note 16) and equity of the Group (comprising issued capital, reserves, retained earnings, and cash and cash equivalents as detailed in notes 20, 21, 22, and 29(a), respectively).

The Group's Audit and Risk Committee reviews the capital structure of the Group on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The gearing ratio at 30 June 2015 is 1% (see below).

	2015	2014
	\$'000	\$'000
Debt (i)	1,111	3,662
Cash and bank balances	(954)	(1,659)
Net debt / (cash)	157	2,003
Equity (ii)	17,407	15,824
Net debt to equity ratio	1%	13%

(i) Debt is defined as long-term and short-term borrowings as described in note 16.

(ii) Equity includes all capital and reserves of the group that are managed as capital.

The bank bill facility includes financial covenants whereby the current ration must be no less than 2 times, a debt cover ratio that must be no less than 2 times and the operating leverage ratio must be no higher than 3 times. Monitoring of said covenants is performed monthly by management and signed off quarterly by management.

There have been no breaches in the current year and there are no forecasted breaches for forthcoming periods.

#### (b) Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.



Medical Developments International Limited  
Annual Financial Report

**30. Financial Instruments (continued)**

These policies were consistent throughout the current year and the prior year.

**(c) Financial risk management objectives**

The Group's finance function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages financial risks relating to the operations of the Group. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

**(d) Credit risk management**

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposure is continually monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of these accounts receivable and advance payments are requested where deemed appropriate.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

Apart from the three largest customers of the Group (refer to Notes 3 and 8), the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during the year.

**(e) Foreign currency risk management**

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

Medical Developments International Limited  
Annual Financial Report

**30. Financial Instruments (continued)**

	<b>Liabilities</b>		<b>Assets</b>	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
USD	404	350	755	370
GBP	257	35	131	-
NZD	-	-	28	95
EUR	-	-	32	-
CND	4	-	4	-
	665	385	950	465

Amounts of exposure are not currently significant and as such forward contracts and currency swap agreements are not used.

**Foreign currency sensitivity analysis**

The Group predominantly trades in Australian dollars (AUD), but has limited exposure to the US dollar (USD) based on a portion of its overseas sales and purchases.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian Dollar against the USD. 10% is the sensitivity rate used when assessing foreign currency risk internally by key management and represents management's assessment of the possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss where the Australian Dollar strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit.

	<b>USD Impact</b>	
	2015	2014
	\$'000	\$'000
Profit or Loss	(35)	(2)

This is attributable to the exposure outstanding on USD receivables and payables at year end in the Group. The exposure to movement in NZD, EUR, GBP and CAD is not deemed to be significant.

Medical Developments International Limited  
Annual Financial Report

**30. Financial Instruments (continued)**

**(f) Fair value of financial instruments**

The Directors consider that the carrying amount of financial assets and liabilities recorded at amortised cost in the financial statements approximates their respective net fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

The Group does not recognise any financial instruments that are measured subsequent to initial recognition at fair value.

**(g) Interest rate risk management**

The Group is exposed to interest rate risk as it holds cash at floating interest rates. The following table details the Group's exposure to interest rate risk as at 30 June 2015 and 30 June 2014.

2015	Variable interest rate maturity					
	Average				Non-	
	interest	Less than	1 to 5	More than	interest	
	rate	1 year	years	5 years	bearing	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets						
Cash	0.06%	954	-	-	-	954
Receivables	-	-	-	-	1,819	1,819
		954	-	-	1,819	2,773
Financial liabilities						
Payables	-	-	-	-	1,231	1,231
Borrowings	4.92%	92	1,019	-	-	1,111
		92	1,019	-	1,231	2,342

2014	Variable interest rate maturity					
	Average				Non-	Total
	interest	Less than	1 to 5	More than	interest	
	rate	1 year	years	5 years	bearing	
	%	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial assets</i>						
Cash	1.29%	1,659	-	-	-	1,659
Receivables	-	-	-	-	1,808	1,808
		1,659	-	-	1,808	3,467
<i>Financial liabilities</i>						
Payables	-	-	-	-	1,092	1,092
Borrowings	5.28%	3,089	573	-	-	3,662
		3,089	573	-	1,092	4,754

Medical Developments International Limited  
Annual Financial Report

**30. Financial Instruments (continued)**

The following table details the Group's sensitivity to a 50 basis point increase or decrease in interest rates.

Interest rate risk table

	<b>2015</b>	<b>2014</b>
	\$'000	\$'000
Profit or Loss	(1)	(10)

**(h) Liquidity risk management**

The Group manages liquidity risk by maintaining adequate cash reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk table

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes the principal cash flows.

	Weighted average effective interest rate %	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>2015</b>					
Payables	-	1,231	-	-	1,231
Borrowings	4.92%	92	1,019	-	1,111
		<u>1,323</u>	<u>1,019</u>	<u>-</u>	<u>2,342</u>
<b>2014</b>					
Payables	-	1,092	-	-	1,092
Borrowings	5.28%	3,089	573	-	3,662
		<u>4,181</u>	<u>573</u>	<u>-</u>	<u>4,754</u>

Medical Developments International Limited  
Annual Financial Report

**30. Parent Entity Information**

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 1 for a summary of the significant accounting policies relating to the Group.

**Financial Position**

	30 June 2015 \$'000	30 June 2014 \$'000
<b>Assets</b>		
Current Assets	4,631	6,057
Non-Current Assets	18,003	16,871
Total Assets	22,634	22,928
<b>Liabilities</b>		
Current Liabilities	1,678	4,288
Non-Current Liabilities	3,151	2,399
Total Liabilities	4,829	6,687
<b>Equity</b>		
Issued capital	10,946	10,946
Reserves	-	-
Retained earnings	6,859	5,295
Total Equity	17,805	16,241

**Financial Performance**

	2015 \$'000	2014 \$'000
Profit for the year	1,564	999
Other comprehensive income	-	-
Total comprehensive income	1,564	999

The commitments of the parent are the same as those of the overall consolidated group.

Medical Developments International Limited  
Annual Financial Report

**31. Additional company information**

Medical Developments International Limited is a listed public company, incorporated and operating in Australia.

*Company Secretary*

Mr. Mark Edwards

*Registered office and principal place of business*

7/56 Smith Road

Springvale

VIC 3171

Tel: (03) 9547 1888

*Share registry*

Computershare Investor Services Pty Ltd

Yarra Falls

452 Johnston Street

Abbotsford

VIC 3067

Tel: 1300 850 505