

# MEDICAL AUSTRALIA LIMITED

A.B.N. 30 096 048 912

## Appendix 4E

### Australian Securities Exchange Listing Rules Disclosure

Financial Year Ended ('Current Period')	Financial Year Ended ('Previous Period')
30 June 2015	30 June 2014

#### Results for announcement to the market

	30 June 2015	30 June 2014	Change \$	Change %
Revenue from ordinary activities	14,856,014	11,874,962	2,981,052	Increase 25%
Profit/(Loss) from ordinary activities attributable to members	(216,879)	105,241	(322,120)	Decrease 306%
Net profit/(loss) for the year attributable to members	(216,879)	105,241	(322,120)	Decrease 306%

Dividends (Distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	N/A
Interim Dividend	Nil	N/A
<b>Previous corresponding period</b>		
Final Dividend	Nil	N/A
Interim Dividend	Nil	N/A

Record Date for determining entitlements to dividends	N/A
---	-----

NTA Backing	Current period	Previous corresponding period
Net Tangible Asset backing per ordinary security	3.16 cents	3.66 cents

## **Financial Report**

- **Revenue up 25% to \$14.8m**
- **Net loss after tax and non controlling interests of \$216,879 versus a \$105,241 profit in FY14**
- **Human Health division net profit after tax of \$1.31m**
- **MLA announces capital raising/dilution, divestment strategy for U.S. Animal Healthcare business**

### **Financial Results and Corporate**

Human and animal healthcare company Medical Australia Limited (“MLA” the “Company”) reports for the financial year ended 30 June 2015 a net loss after tax attributable to members of \$216,879 compared to a profit of \$105,241 for the previous period. Earnings before interest, tax, depreciation and amortisation (EBITDA) and before non controlling interests was a loss of \$570,714.

Revenue increased 25% to \$14.8 million (2014: \$11.9m) which is due in part to the inclusion of 12 months revenue contribution from the animal health division compared to 7 months in the prior period. The majority of the Company’s revenue growth however has come from the human healthcare business, where revenues increased 15% year on year.

On 13 October 2014, the Company announced that it would seek to raise a maximum of \$6,128,355 through a non-renounceable 1 for 6 rights issue to eligible shareholders at a price of \$0.06 per share. On 12 November 2014 the Company advised that 34,626,780 shares had been issued pursuant to the rights issue and that the sum \$2,077,607 had been raised. Funds received were applied to pursuing strategic opportunities, funding growth of the animal stem cell business and to strengthen working capital.

The program of overhead rationalisation initiated in 2014 has now left MLA with a platform upon which increased profitability can be based.

### **Human Healthcare**

The Company’s human healthcare division delivered another impressive year of sales growth with revenues recorded of \$11.55m which as noted above, represent a 15% improvement over 2014. Sales in Tuta Direct were very strong whilst Tuta OEM sales growth was solid. Clements devices revenue also grew strongly at 16%.

During the year, a number of supply contracts were secured from customers in the public and private healthcare sector and a submission for a State health department tender was lodged. The launch of the T-Site needleless access valve was well received by the market and has contributed significantly to overall sales growth. A number of additional product trials were also initiated prior to the end of the year and are progressing positively.

In continuation of the business strategy initiated in the previous year, the Company has appointed another three experienced medical product sales specialists to the sales team. The Company’s representation in the public and private healthcare market in all eastern states is now extremely strong and additional future appointments in other states are being assessed.

## **Animal Healthcare**

Throughout the year, considerable resources were invested in the Medivet animal health business. This investment was aimed at building Medivet's reputation as a leader in regenerative stem cell treatment and in the development of new product opportunities such as the canine cancer vaccine. The Company is pleased with the progress made in these areas but acknowledges that further investment is required to enable the MediVet business to achieve its potential. Following a review of requirements of the business, the Company announced on 23 June 2015 that despite the growth in business product development, it would pursue a process to divest or dilute its interests in the animal healthcare business. This followed an assessment of the future financial investment required to realise that business' full potential.

## **Outlook**

MLA is confident in continuing to deliver strong organic growth in its human healthcare business and has identified a number of strategic opportunities to pursue in the coming financial year. The Company will continue to pursue health department contracts as well as contracts in the private sector and is now well placed to do so, having added three sales personnel in the last 12 months. Geographic expansion, domestically and abroad, are also part of management's focus in the coming months. Opportunities for growth through value accretive acquisitions will continue to be explored as and when they arise.

Directors have been conscious throughout the year of the effects on product margin that the weakening Australian dollar has had. As the Company sources over 80% of its human healthcare inventory under USD denominated contracts, the effects of the Australian dollar falling from \$US0.93 (July 2014), to current levels have been felt. Whilst further falls in the value of the dollar cannot be ruled out, management will pursue where possible, various strategies to mitigate the negative effects such falls would have.

Management is confident that the investment made in the animal health division, in particular the development of a number of new treatments for dogs as well undertaking further validation studies at several universities, will result in the Company realising the carrying value of that investment during the first half of the 2016 financial year.

MLA will continue to update shareholders on its progress each quarter and report on any other material developments as they occur.



Darryl Ellis  
Chief Executive Officer  
Dated this 31<sup>st</sup> of August 2015

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Consolidated Statement of Comprehensive Income  
For the year ended 30 June 2015

	Notes	Consolidated June 2015 \$	Consolidated June 2014 \$
Sale of goods		14,856,014	11,874,962
Cost of goods sold		(7,402,874)	(5,623,005)
<b>Gross profit</b>		<u>7,453,140</u>	<u>6,251,957</u>
Other Revenue – Foreign Exchange Gain		215,856	-
Expenses:			
Administration and consultants	2	(998,038)	(1,010,692)
Depreciation and amortisation		(195,120)	(206,121)
Employee benefits expenses		(4,449,276)	(2,851,369)
Travel and accommodation		(762,676)	(442,596)
Occupancy costs		(301,391)	(586,178)
Advertising and marketing		(453,868)	(69,818)
Other	2	(1,274,461)	(965,802)
<b>Profit/(Loss) before interest and income tax</b>		<u>(765,834)</u>	<u>119,381</u>
Financial income		40,339	18,787
Financial expense		(13,417)	(113,223)
<b>Net financing gain/(loss)</b>		<u>26,922</u>	<u>(94,436)</u>
<b>Profit/(Loss) before income tax</b>		(738,912)	24,945
Income tax benefit	3	47,387	48,668
<b>Profit/(Loss) for the year after income tax</b>		<u>(691,525)</u>	<u>73,613</u>
Non-controlling interest		(474,646)	(31,628)
<b>Net (loss) for the period after non-controlling interest</b>		<u>(216,879)</u>	<u>105,241</u>
<b>Profit/(Loss) for the year after income tax</b>		(691,525)	73,613
<b>Other comprehensive income after income tax</b>			
<b>Items that will be reclassified subsequently to profit and loss when specific conditions are met:</b>			
Exchange differences on translating foreign controlled entity		(454,323)	(10,702)
<b>Total comprehensive profit/(loss) for the year</b>		<u>(1,145,848)</u>	<u>62,911</u>

The Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Consolidated Statement of Comprehensive Income  
For the year ended 30 June 2015

<b>Net profit/(loss) attributable to</b>		
Owners of the parent entity	(216,879)	105,241
Non-controlling interest	(474,646)	(31,628)
	<u>(691,525)</u>	<u>73,613</u>
<b>Total comprehensive income (loss) attributable to</b>		
Owners of the parent entity	(531,731)	82,143
Non-controlling interest	(614,117)	(19,232)
	<u>(1,145,848)</u>	<u>62,911</u>
Basic earnings (loss) per share attributable to ordinary shareholders (cents per share)	4 <u>(0.17) cents</u>	<u>0.14 cents</u>

The Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Consolidated Statement of Financial Position  
As at 30 June 2015

		Consolidated	
	Notes	June 2015 \$	June 2014 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	933,312	1,757,258
Trade and other receivables		1,798,456	1,614,680
Inventories		2,721,680	2,144,269
Current tax receivables		60,587	26,096
Other assets		548,290	459,733
<b>TOTAL CURRENT ASSETS</b>		<b>6,062,325</b>	<b>6,002,036</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		322,026	314,956
Investment		78,947	103,379
Intangible assets	6	6,022,710	5,720,100
<b>TOTAL NON-CURRENT ASSETS</b>		<b>6,423,683</b>	<b>6,138,435</b>
<b>TOTAL ASSETS</b>		<b>12,486,008</b>	<b>12,140,471</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,813,227	2,239,496
Interest bearing liabilities	7	-	8,113
Income tax payables		2,276	95,063
Provisions		234,549	242,188
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,050,052</b>	<b>2,584,860</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables		2,376	110,359
Interest bearing liabilities	7	-	9,517
Provisions		84,873	28,137
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>87,249</b>	<b>148,013</b>
<b>TOTAL LIABILITIES</b>		<b>2,137,301</b>	<b>2,732,873</b>
<b>NET ASSETS</b>		<b>10,348,707</b>	<b>9,407,598</b>
<b>EQUITY</b>			
Issued capital	8	26,753,918	24,676,311
Equity remuneration reserve		146,370	137,020
Non-controlling Interest		(1,101,527)	(487,410)
Foreign Currency translation reserve		(368,149)	(53,297)
Accumulated losses	9	(15,081,905)	(14,865,026)
<b>TOTAL EQUITY</b>		<b>10,348,707</b>	<b>9,407,598</b>

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Consolidated Statement of Changes in Equity  
For the year ended 30 June 2015

	Issued capital	Equity Remuneration Reserve	Non- Controlling Interests	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 30 June 2013</b>	18,476,311	131,410	-	(30,199)	(14,970,267)	3,607,255
Profit/(loss) for the year	-	-	(31,628)	-	105,241	73,613
Other comprehensive income	-	-	12,396	(23,098)	-	(10,702)
Total comprehensive profit/(loss)	-	-	(19,232)	(23,098)	105,241	62,911
Equity contributions	6,200,000	-	-	-	-	6,200,000
Cost of share based payments	-	5,610	-	-	-	5,610
Non-controlling interest on acquisition	-	-	(468,178)	-	-	(468,178)
<b>Balance at 30 June 2014</b>	24,676,311	137,020	(487,410)	(53,297)	(14,865,026)	9,407,598
(Loss) for the year	-	-	(474,646)	-	(216,879)	(691,525)
Other comprehensive income	-	-	(139,471)	(314,852)	-	(454,323)
Total comprehensive profit/(loss)	-	-	(614,117)	(314,852)	(216,879)	(1,145,848)
Equity contributions	2,077,607	-	-	-	-	2,077,607
Cost of share based payments	-	9,350	-	-	-	9,350
<b>Balance at 30 June 2015</b>	26,753,918	146,370	(1,101,527)	(368,149)	(15,081,905)	10,348,708

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Consolidated Statement of Cash Flows

For the year ended 30 June 2015

		Consolidated	
	Notes	June 2015 \$	June 2014 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		14,945,017	11,460,248
Payments to suppliers and employees		17,315,131	(12,525,659)
Cash (used by) operations		(2,370,114)	(1,065,411)
Interest paid		-	(84,226)
Interest received		27,807	13,696
R&D tax refund		-	114,849
<b>Net cash used in operating activities</b>	13	<u>(2,342,307)</u>	<u>(1,021,092)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for equity investments		-	(37,957)
Payments for property, plant and equipment		(477,375)	(62,187)
Loans to other entities		(60,000)	-
Other (cash balance for acquired business)		-	123,057
<b>Net cash provided by (used in) investing activities</b>		<u>(537,375)</u>	<u>22,913</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		2,077,607	4,000,000
Repayment of borrowings		(13,099)	(1,373,712)
<b>Net cash provided by financing activities</b>		<u>2,064,508</u>	<u>2,626,288</u>
Net (decrease) / increase in cash and cash equivalents		(815,174)	1,628,109
Effect of exchange rate on cash holdings in foreign currency		(8,772)	15
Cash and cash equivalents at the beginning of the year	5	1,757,258	129,134
<b>Cash and cash equivalents at the end of the year</b>	5	<u>933,312</u>	<u>1,757,258</u>

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

**Notes to the Consolidated Financial Statements  
For the year ended 30 June 2015**

---

**Note 1 – Basis of Preparation**

***Statement of compliance***

The financial information in this preliminary financial report does not include all notes of the type normally included with the annual financial report and therefore cannot be expected to provide a full understanding of the statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows of the consolidated entity.

The preliminary financial report should be read in conjunction with the half-year financial report of Medical Australia Limited as at 31 December 2014. It is also recommended that the financial report be considered together with any public announcements made by Medical Australia Limited during the year ended 30 June 2015 in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001*.

This preliminary financial report has been prepared in accordance with the requirements of the Australian Securities Exchange listing rules.

This preliminary financial report does not constitute the full financial report for the year ended 30 June 2015.

The preliminary financial report has been prepared in accordance with Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes comply with International Financial Reporting Standards issued by the IASB.

**(a) Basis of Accounting**

There have been no material adjustments to the accounting policies of the Group since 30 June 2014.

The Group has not elected to early adopt any new standards or amendments.

**Going Concern**

The financial report has been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group incurred a trading loss after tax and non-controlling interest of \$216,879 for the year ended 30 June 2015 (2014 – profit of \$105,241), incurred a deficit in operating cash flows \$2,342,307 (2014: \$1,021,292) and has a working capital surplus of \$4,012,273 as at that date.

During the period, cash consumed by the Company exceeded the cash generated which as previously reported to shareholders, is mainly due to the on-going investment in the animal healthcare business. As noted in this report, the Company recently announced plans to divest or substantially dilute through a capital raising in the U.S., its investment in the Medivet business and is very confident in realising this investment in the second quarter of the 2016 financial year.

Management has prepared a cash flow forecast for the 15 months ending September 2016 that supports the ability of the entity to continue as a going concern following the planned sale or sell down of its holdings in Medivet in the advised timeframe. The Directors are satisfied that the cash flow forecast will be achieved and consequently believe the preparation of these financial statements on a going concern basis is appropriate.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the consolidated financial statements  
For the year ended 30 June 2015

**Note 2 – Profit/(Loss) from operating activities**

	<b>Consolidated</b>	
	<b>June 2015</b>	<b>June 2014</b>
	\$	\$
The following expense items are relevant in explaining the financial performance for the year:		
Administration and consultants expenses:		
- General and administrative	340,745	427,196
- Legal fees	141,454	(38,244)
- Consultancy fees	515,839	597,740
- Due diligence costs	-	24,000
	998,038	1,010,692
Other expenses:		
- Audit and review of financial reports	80,130	97,915
- Insurance	227,312	146,434
- Warehouse/Lab supplies	63,868	90,376
- Telephone & Internet	172,549	133,967
- Regulatory expense	65,911	67,079
- Provision for Doubtful Debt	42,155	69,409
- Bank Fee	50,257	59,513
- Foreign exchange loss	-	57,070
- Deferred income adjustment	90,918	-
- Royalty	65,104	-
- Impairment of investment in associate (ESSI)	39,123	-
- Other expenses	377,134	244,039
	1,274,461	965,802

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the consolidated financial statements  
For the year ended 30 June 2015

**Note 3 – Income tax benefit**

	<b>Consolidated</b>	
	<b>June 2015</b>	<b>June 2014</b>
	<b>\$</b>	<b>\$</b>
<b>Numerical reconciliation between income tax benefit and pre-tax net loss</b>		
Profit/(loss) before tax – continuing operations	(738,912)	24,945
Income tax expense/(benefit) using the domestic corporation tax rate of 30%	(221,674)	7,483
Increase / (decrease) in income tax expense due to:		
- Non-deductible expenses	68,177	90,298
- Non-deductible impairment write down	11,737	-
- Difference in international tax rates	(54,393)	19,624
- Effect of tax losses brought to account	(227,728)	(203,499)
- Effect of tax losses not brought to account	423,881	88,370
- Research and development tax offset	(10,000)	(50,944)
- Write back prior period tax provision	(12,896)	-
- Refund of income tax from prior periods	(24,491)	-
Income tax expense/(benefit)	(47,387)	(48,668)

As at 30 June 2015 the amount of deferred tax assets not brought to account in respect of unused tax losses is estimated to be as follows:

(a) Unused revenue losses for which no benefit has been recognised as a deferred tax asset	11,549,189	10,677,562
Tax effect: Potential income tax benefit – at 30%	2,860,142	3,124,807
– at 35%	271,470	-
– at 23.5%	-	61,461
– at 20%	146,670	-
(b) Unused capital losses for which no benefit has been recognised as a deferred tax asset	72,601	72,601
Tax effect: Potential income tax benefit – at 30%	21,780	21,780
(c) Deductible temporary differences for which no benefit has been recognised as a deferred tax asset	3,838,718	209,394
Tax effect: Potential income tax benefit – at 30%	1,068,707	62,818
– at 35%	51,894	-
– at 20%	6,285	-

The income tax return for the year ended 30 June 2015 has not been lodged as at the date of this report.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the consolidated financial statements  
For the year ended 30 June 2015

---

**Note 3 – Income tax benefit (Cont'd)**

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

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

**Note 4 – Loss per share**

Profit/(loss) after income tax attributable to members at the parent entity used to calculate basic EPS

	(216,879)	105,241
--	-----------	---------

	<b>Number</b>	<b>Number</b>
--	---------------	---------------

Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS

	123,958,865	77,171,743
--	-------------	------------

There are no shares that are dilutive.

**NOTE 5 – CASH AND CASH EQUIVALENTS**

Cash at bank and on hand  
Term deposits

	883,550	950,051
--	---------	---------

	49,762	807,207
--	--------	---------

	933,312	1,757,258
--	---------	-----------

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the consolidated financial statements  
For the year ended 30 June 2015

**Note 6 – Intangible Assets**

	<b>Consolidated</b>	
	<b>June 2015</b>	<b>June 2014</b>
	<b>\$</b>	<b>\$</b>
Goodwill on acquisition – TUTA	0	0
Goodwill on acquisition – Clements	400,000	400,000
Goodwill on acquisition – Medivet	1,781,604	1,781,604
	5,591,168	5,591,168
Product Development Costs – Gross	704,960	359,179
Less: Accumulated amortisation	(273,419)	(230,247)
Product Development Costs – Net	431,541	128,932
	6,022,710	5,720,100

An impairment test for goodwill has been separately performed for the Tuta, Clements, and Medivet businesses as at 30 June 2015. Based on the results, the Directors believe that there is no impairment loss to be recognised.

The Group has adopted a policy of capitalising product development costs related to specific projects, in accordance with AASB 138. These are amortised on a straight line basis over the useful life of the product. As at 30 June 2015, specific product development costs capitalised as intangible assets have a net carrying value of \$431,541 (2014: \$128,932). Product development costs capitalised in the period amount to \$345,781. This represents product development costs for a number of animal health products which are expected to be available for sale in the next financial year. Costs capitalised to date plus costs estimated to successfully complete these development efforts have been assessed for possible impairment and found to be unimpaired.

**Note 7 – Interest bearing liabilities**

	<b>Consolidated</b>	
	<b>June 2015</b>	<b>June 2014</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Hire Purchase	-	8,113
<b>Non-current</b>		
Hire Purchase	-	9,517

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the consolidated financial statements

For the year ended 30 June 2015

**Note 8 – Issued Capital**

	2015 No.	2015 \$	2014 No.	2014 \$
<b>Fully paid ordinary shares</b>				
Balance at the beginning of the year	102,089,251	24,676,311	453,925,832	18,476,311
Share consolidation – 10 shares into 1 share	-	-	(408,533,248)	-
Shares issued on 6 December 2013 at fair value of \$0.06 per share	-	-	36,666,667	2,200,000
Shares issued on 10 December 2013 at \$0.20 per share	-	-	20,000,000	4,000,000
Shares issued to employees on 10 December 2013	-	-	30,000	-
Shares issued to employees on 10 December 2014	50,000	-	-	-
Shares issued on 12 November 2014 at \$0.06 per share	34,626,780	2,077,607	-	-
	<u>136,766,031</u>	<u>26,753,918</u>	<u>102,089,251</u>	<u>24,676,311</u>
Balance at the end of the year	136,766,031	26,753,918	102,089,251	24,676,311

Issued capital as at 30 June 2015 amounted to \$26,753,918 (136,766,031 ordinary shares). The movements in the issued capital of the company in the current year are shown in the above table.

**Note 9 – Accumulated losses**

	Consolidated	
	June 2015 \$	June 2014 \$
Accumulated losses at the beginning of the year	(14,865,026)	(14,970,267)
Net profit/(loss) attributable to members of the parent entity	(201,982)	105,241
	<u>(15,067,008)</u>	<u>(14,865,026)</u>
Accumulated losses at the end of the year	(15,067,008)	(14,865,026)

**Dividends**

No dividends were paid or declared during the year.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the consolidated financial statements

For the year ended 30 June 2015

---

**Note 10 – Business Combinations**

**Acquisition of Medivet Pty Ltd**

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

The acquisition has been accounted for using the acquisition method in accordance with AASB3 : Business Combinations. The consolidated financial statements include the results of Medivet Pty Ltd and its subsidiaries since the date of acquisition.

**Note 11 - Assets held for Sale**

On 23 June 2015 the Company announced that it would begin exploring options to divest entirely, or dilute its interests in its animal healthcare business. Although a significant investment in organisational resources and R&D has been made in the Medivet business, the Company acknowledges that it has neither the financial resources nor the know how to fully realise the potential of the animal health business in the vast United States market. The Company commenced activities to identify potential investors or purchasers during July and progress is being made in the process. The transactions being pursued are a capital raising in the U.S., leading to a dilution of the Company’s interests, or a trade sale. Whichever process is successful, it is anticipated that a transaction will be concluded early in the second quarter of the 2016 financial year.

The assets which could be disposed of through a trade sale (the “disposal assets”), include, trade debtors and creditors, prepayments, inventory, fixed assets, goodwill, R&D intangibles, intellectual property, trademarks and various liabilities. Should a dilution of interests held occur, the Company would most likely no longer consolidate the accounts of Medivet, instead present certain information as required under AASB 12.

The majority of disposal assets are presented in Note 14, Segment Reporting, under the United States geographic segment and in the animal health business segment. There are also certain assets in the Australian segment included in the disposal group. Whilst advisors to assist with the proposed transaction were appointed prior to 30 June, an active marketing program did not commence until after balance date.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the consolidated financial statements

For the year ended 30 June 2015

**Note 12 – Particulars in relation to controlled entities**

**Parent Entity**

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

<b>Controlled Entities</b>	<b>Country of Incorporation</b>	<b>Ownership Interest</b>	
		<b>2015</b>	<b>2014</b>
		<b>%</b>	<b>%</b>
BMDI Pty Ltd	Australia	100	100
BMDI TUTA Healthcare Pty Ltd	Australia	100	100
Bio Medical Developments International Pty Ltd	Australia	70	70
MediVet Pty Ltd	Australia	100	100
Medivet Holdings International Pty Ltd	Australia	100	100
MediVet Laboratory Services Pty Ltd	Australia	50.5	50.5
MediVet Biologics LLC	United States	60.5	60.5
MediVet Direct	United States	60.5	60.5
BMDI Tuta Healthcare UK Ltd	United Kingdom	100	100

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the consolidated financial statements  
For the year ended 30 June 2015

**Note 13 – Reconciliation of net profit/(loss) for the year to net cash flows used in operating activities**

	<b>Consolidated</b>	
	<b>June 2015</b>	<b>June 2014</b>
	<b>\$</b>	<b>\$</b>
Profit/(loss) for the year before non-controlling interest	(691,525)	73,613
<b>Adjustments for:</b>		
Depreciation and amortisation of non-current assets	195,120	206,122
Expense recognised in respect of equity-settled share-based payments	9,350	5,610
Other movements	(237,703)	(36,102)
<b>Movements in working capital (net of movements arising from business combinations)</b>		
Decrease / (increase) in trade and other receivables	(218,267)	(218,030)
Decrease / (increase) in inventories	(774,262)	(276,973)
Decrease / (increase) in other assets	(28,558)	(224,357)
(Decrease) / increase in other provisions	49,097	(46,878)
(Decrease) / increase in trade and other payables	(645,559)	(504,097)
<b>Net cash used in operating activities</b>	<b>(2,342,307)</b>	<b>(1,021,092)</b>

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the consolidated financial statements  
For the year ended 30 June 2015

**Note 14 – Segment information**

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

<b>Business unit segments 30 June 2015</b>	<b>Human Health \$</b>	<b>Animal Health \$</b>	<b>Elimination \$</b>	<b>Consolidated \$</b>
<b>Revenue</b>				
External segment income	11,510,774	3,345,240	-	14,856,014
Interest income	40,339			40,339
Foreign exchange gain	215,856	-	-	215,856
				<u>15,112,209</u>
Interest expense	(13,417)	-	-	(13,417)
Depreciation expense	(139,642)	(55,478)	-	(195,120)
Tax benefit	10,000	37,387	-	47,387
<b>Result</b>				
Segment result – after NCI	1,313,389	(1,530,268)	-	<u>(216,879)</u>
Net profit/(loss) after NCI	<u>1,313,389</u>	<u>(1,530,268)</u>	-	<u>(216,879)</u>
<b>Assets</b>				
Segment assets	12,958,797	2,028,679	(2,503,743)	<u>12,483,733</u>
Including non-current assets acquired during the year:				
Warehouse Equipment	29,282	7,115	-	36,397
Software	34,445	-	-	34,445
Furniture & Fittings	37,402	5,990	-	43,392
Plant & Equipment	10,870	29,407	-	40,277
	<u>111,999</u>	<u>42,512</u>	-	<u>154,511</u>
<b>Segment liabilities</b>	<u><b>1,613,280</b></u>	<u><b>2,627,590</b></u>	<u><b>(2,105,844)</b></u>	<u><b>2,135,026</b></u>

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the consolidated financial statements  
For the year ended 30 June 2015

**Note 14 – Segment information (Cont'd)**

<b>Business unit segments 30 June 2014</b>	<b>Human Health \$</b>	<b>Animal Health \$</b>	<b>Elimination \$</b>	<b>Consolidated \$</b>
<b>Revenue</b>				
External segment income	10,017,111	1,857,850	-	11,874,961
Interest income	18,787	-	-	18,787
				<u>11,893,748</u>
Interest expense	(111,520)	(1,703)	-	(113,223)
Depreciation expense	(185,390)	(20,732)	-	(206,122)
Tax benefit/(expenses)	50,944	(2,276)	-	48,668
<b>Result</b>				
Segment result after NCI	283,298	(178,057)	-	<u>105,241</u>
Net profit/(loss) after NCI	<u>283,298</u>	<u>(178,057)</u>	-	<u>105,241</u>
<b>Assets</b>				
Segment assets	11,686,511	1,243,294	(789,334)	<u>12,140,471</u>
Including non-current assets acquired during the year:				
Warehouse Equipment	2,675	-	-	2,675
Software	2,355	-	-	2,355
Furniture & Fittings	52,607	-	-	52,607
Motor Vehicles	5,586	-	-	5,586
Plant & Equipment	4,550	-	-	4,550
	<u>67,773</u>	-	-	<u>67,773</u>
<b>Segment liabilities</b>	<u><b>1,799,033</b></u>	<u><b>1,384,402</b></u>	<u><b>(450,562)</b></u>	<u><b>2,732,873</b></u>

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the consolidated financial statements

For the year ended 30 June 2015

**Note 14 – Segment information (Cont'd)**

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

Geographical segments 30 June 2015	Australia \$	Asia \$	United States \$	United Kingdom \$	Unallocated /Elimination \$	Consolidated \$
<b>Revenue</b>						
External segment income	10,184,666	553,435	2,810,052	349,353	958,508	14,856,014
Interest income	40,339	-	-	-	-	40,339
Foreign exchange gain	215,856	-	-	-	-	215,856
						<u>15,112,209</u>
Interest expense	(13,417)	-	-	-	-	(13,417)
Depreciation expense	(162,363)	-	(19,580)	(13,177)	-	(195,120)
Tax benefit	47,387	-	-	-	-	47,387
<b>Result</b>						
Segment result after NCI	508,883	38,300	(716,142)	(47,920)	-	<u>(216,879)</u>
Net profit/(loss) after NCI	<u>508,883</u>	<u>38,300</u>	<u>(716,142)</u>	<u>(47,920)</u>	<u>-</u>	<u>(216,879)</u>
<b>Assets</b>						
Segment assets	14,718,856	-	844,215	228,141	(3,307,479)	<u>12,483,733</u>
Including non-current assets acquired during the year:						
Warehouse Equipment	36,397	-	-	-	-	36,397
Software	34,445	-	-	-	-	34,445
Furniture & Fittings	43,392	-	-	-	-	43,392
Plant & Equipment	17,360	-	22,917	-	-	40,277
	<u>131,594</u>	<u>-</u>	<u>22,917</u>	<u>-</u>	<u>-</u>	<u>154,511</u>
<b>Segment liabilities</b>	<b><u>1,292,545</u></b>	<b><u>-</u></b>	<b><u>3,616,014</u></b>	<b><u>1,134,857</u></b>	<b><u>(3,908,392)</u></b>	<b><u>2,135,026</u></b>

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the consolidated financial statements

For the year ended 30 June 2015

**Note 14 – Segment information (Cont'd)**

Geographical segments 30 June 2014	Australia \$	Asia \$	United States \$	United Kingdom \$	Unallocated /Elimination \$	Consolidated \$
<b>Revenue</b>						
External segment income	8,805,045	689,143	1,229,842	310,952	839,979	11,874,961
Interest income	18,787	-	-	-	-	18,787
						<u>11,893,748</u>
Interest expense	(112,608)	-	(615)	-	-	(113,223)
Depreciation expense	(177,581)	-	(9,899)	(18,642)	-	(206,122)
Tax benefit	48,668	-	-	-	-	48,668
<b>Result</b>						
Segment result after NCI	362,596	27,566	(63,891)	(254,629)	33,599	<u>105,241</u>
Net profit/(loss) after NCI	362,596	27,566	(63,891)	(254,629)	33,599	105,241
<b>Assets</b>						
Segment assets	13,004,652	-	592,388	165,918	(1,622,487)	<u>12,140,471</u>
Including non-current assets acquired during the year:						
Warehouse Equipment	2,675	-	-	-	-	2,675
Software	2,355	-	-	-	-	2,355
Furniture & Fittings	52,607	-	-	-	-	52,607
Motor Vehicles	-	-	-	5,586	-	5,586
Plant & Equipment	4,550	-	-	-	-	4,550
	<u>62,187</u>	-	-	<u>5,586</u>	-	<u>67,773</u>
<b>Segment liabilities</b>	<b>1,062,408</b>	<b>-</b>	<b>1,816,740</b>	<b>923,483</b>	<b>(1,069,758)</b>	<b>2,732,873</b>

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

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the consolidated financial statements  
For the year ended 30 June 2015

---

**Note 15-Subsequent events**

Subsequent to 30 June, the Company began a process with advisors to formulate a strategy and marketing plan targeting potential investors and acquirers from within the U.S. animal health sector. Refer to Note 11.

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

**Compliance Statement**

1. This preliminary report has been prepared in accordance with Australian Accounting Standards which includes International Financial Reports Standards (AIFRS). Compliance with AIFRS ensures compliance with International Financial Reporting Standards (IFRS).
2. This preliminary report, and the accounts upon which the report is based (if separate), use the same accounting policies.
3. This preliminary report does give a true and fair view of the matters disclosed.
4. The accounts are in the process of being audited.
5. The entity has a formally constituted audit committee.

Ian Mitchell  
Director

Dated this 31<sup>st</sup> day of August 2015