MEDICAL AUSTRALIA LIMITED

A.B.N. 30 096 048 912

ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2015

CORPORATE DIRECTORY

DIRECTORS

Mr. Bruce Hancox (Chairman)

Dr. Geoff Cumming

Mr. Jeremy Delk (resigned 21 August 2015)

Mr. Ian Mitchell

COMPANY SECRETARY

Mr Ian Mitchell

REGISTERED OFFICE

Level 11, 37 Bligh Street

SYDNEY NSW 2000 Australia

Phone: +61-2 9466 5300

Fax: +61-2 9922 7165

Email: info@medaust.com

Website: www.medaust.com

PRINCIPAL OFFICE

Unit 4B, 128-130 Frances Street

Lidcombe NSW 2141

Phone: +61-2 9466 5300

Fax: +61-2 9922 7165

AUDITORS

Russell Bedford NSW

Level 29, Suncorp Place

259 George Street

SYDNEY NSW 2000

SHARE REGISTRY

RBCA Pty Ltd

Level 29, Suncorp Place

259 George Street

SYDNEY NSW 2000

CONTENTS

MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES

CHAIRMAN'S LETTER

It is with pleasure that I present to you the Annual Report of Medical Australia Limited for 2015.

This has been a year of examination, review, understanding and transition.

Management identified early in 2014 that the human health business of MLA could be operated in a profitable manner. The question to be answered was the extent of profitability that might be achievable and the resources that would be required for support. It was also clear that further investment in the United States Medivet business would be needed to lay a foundation for future growth and profitability of that operation.
Hence the board made the first step with the decision in October 2014 to have a rights issue that raised new capital of $2.1M necessary to support the growth of the Company.

In December 2014 it was with pleasure that Mr. Darryl Ellis was appointed to the role of Chief Executive Officer. The Board also in March 2015 announced the terms of a Loan Funded Share Incentive Scheme for Mr Ellis that will be put before shareholders for their approval at this year's Annual General Meeting. The Board believe that it is important for senior management to have a relevant vested interest in the Company's equity, to ensure management interests are aligned with those of shareholders.

During the June 2015 quarter the review of the business opportunities was completed. It was agreed that there was significant opportunity to grow the human health business but this would require a focus from senior management as well as additional funding to support working capital requirements and potential acquisitions.

It was agreed that the Medivet business in the United States had serious growth potential but would require additional funding, particularly in establishing a much needed national marketing and sales team as well as continuing independent research to support this team.

It was agreed that there were in fact no synergistic benefits to the common ownership of these two businesses. Therefore the decision was made in late June 2015 to separate the ownership and to look to raise further capital for the Medivet US business. This will allow this business to achieve its full potential and release funds back to the parent company that could be directed towards the growth of the human health business model.

The raising of capital to fund the Medivet US business requires this Company to be established as an independent entity, not in any way reliant for services on the parent company, Medical Australia. The capital raising process could see the level of ownership in Medivet US by Medical Australia reduced from that of subsidiary to an associate or possibly nil investment at all. The primary focus of the process is to allow Medivet US to achieve its potential and any decision necessary to achieve this will be supported by the Board of Medical Australia.

The opportunity going forward for Medical Australia is the human health business. This will not be without its challenges, however we believe that only by giving this full management focus, the best possible results will be achieved.

CHAIRMAN'S LETTER – (Cont'd)

I would like to thank my fellow Directors for their support, particularly Mr. Delk for his work and understanding with respect to the business review that has been undertaken and the decisions made. I would also like to thank all staff whose contribution and valued support is most essential.

Signed this 30th day of September 2015

Bruce Hancox
Chairman

OPERATING AND FINANCIAL REVIEW

Chief Executive Officer's Review

Disclosure of Operations

Medical Australia Limited is a manufacturer and distributor of medical devices and consumables to the human health market, and of regenerative medicine and biological therapies for the animal health markets in Australia and overseas. The Company markets its products in Australia, UK, Europe, US and the Middle East. Note 24 provides further details of the financial performance of the Company's key operations.

The Company is pursuing an aggressive strategy of increasing market share in the human health market through organic growth, range diversification and will seek to identify further acquisitions that are accretive. The Company will generate sales from a broad range of products in multiple markets.

As announced on 23 June 2015, the Company has embarked on a program to either divest or dilute its interests in Medivet Biologics LLC, the U.S. animal health business in which MLA holds a 60.5% interest. The successful conclusion of this program will enable Medivet Biologics LLC to realise its full potential and allow Medical Australia to build upon the successful turnaround of its human health business.

Disclosure of Operations – Profit

The Company slipped back into a Loss position for the year after having recorded a modest profit in the prior year. The human health business continued its improved performance with a substantial lift in profit on the back of top line sales growth and tight control of operating expenses. The profit improvement in the human health business however was more than offset by the losses incurred in the animal health business where substantial investment was made in research and development, improved marketing support and the continued development of an enhanced sales program.

Disclosure of Operations – Sales

Overall sales revenue for FY2015 was 25% higher than the previous year which is attributable to a full years revenue contribution from the Medivet business and a 15% increase in revenue from the human health business. The TUTA Direct and OEM business grew by just under 15% whilst the Clements business grew by 16% on continued strong sales into Asia.

Disclosure of Financial position

Total assets of the Group increased by approximately $345k in FY15. Key working capital balance sheet accounts remained at acceptable levels given the Company's growth. Both current and non-current liabilities were substantially reduced from prior year balances, mainly as a consequence of the retiring of acquired Medivet debt.

Operating and financial Review – (Cont'd)

Business strategies and prospects for future financial years

The company will continue to pursue organic growth on the strength of the strong reputation that the TUTA brand enjoys in the Australian market as well as key export markets. We will seek to leverage this brand strength as well as our solid reputation with key customers by identifying and pursuing possible acquisitions.

As previously announced, the Company is currently pursuing a program to either divest or dilute its investment in the animal health market and will keep shareholders updated on developments in this program.

30th day of September 2015

Darryl Ellis
Chief Executive Officer

Your Directors have pleasure in presenting their report on the consolidated entity for the financial year ended 30 June 2015.

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

Bruce Hancox	Appointed 12 February 2014 – Chairman from 6 November 2014
Dr Geoff Cumming	Appointed 23 January 2009
Ian Mitchell	Appointed 6 November 2008
Jeremy Delk	Appointed 25 February 2014 – resigned 21 August 2015
Gary Lewis	Chairman since 10 January 2012 – resigned 6 November 2014

Bruce Hancox – Independent Non-Executive Chairman

Mr. Hancox has had a long and distinguished career in business in Australia and New Zealand. He was for many years involved with Brierley Investments as General Manager, Group Chief Executive and Chairman. He also served as a director of many Brierley subsidiaries in New Zealand, Australia and the United States. Since 2006 he has pursued various private investment interests and has been a director of, and consultant to, a number of companies. He has acted as an advisor on a number of takeover situations. Mr. Hancox has been a director of Neuren Pharmaceuticals Limited from 8 March 2012 to the present and was a director of Retail Food Group Limited up until 30 April 2013.

Dr Geoff Cumming - Independent Non-Executive Director

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

Ian Mitchell - Independent Non-Executive Director and Company Secretary
Ian Mitchell is a practising solicitor of over thirty five years standing. He has been a Director and Company Secretary of a number of publicly listed Mining and Industrial companies and his legal expertise is in commercial, contractual ASIC and ASX compliance work. His academic qualifications are BA, Dip Law (Sydney). Mr Mitchell was appointed Company Secretary on 16 October 2008 and has been a Director since 6 November 2008. Mr. Mitchell is currently a director of Ark Mines Limited.

Jeremy Delk – Executive Director

Mr. Delk has been a successful entrepreneur for over a decade, with a keen eye for innovative new products, technologies and unexploited market niches. Mr. Delk worked in the financial sector with Fidelity Investments in both Boston and NYC. In 2011 he incorporated Delk Enterprises with an initial focus of real estate holdings. Mr. Delk soon diversified his business interests to include a portfolio of equity investments, primarily in animal health, sports medicine, human health care and pharmacy where he created access to future IP through project funding of technology and human health R&D initiatives. Mr. Delk holds a Bachelor of Science in Business Management from Johnson & Wales University which he received Cum Laude. In addition to his business interests, Mr. Delk's primary passion lies in the thoroughbred racing industry, where his family boasts four decades of racing success. Mr Delk resigned as a director on 21 August 2015.

Gary Lewis

Gary Lewis holds a Bachelor of Commerce and a Masters of Business & Technology degree. Mr Lewis was a director of Robust Resources Limited from 17 October 2006 until 8 August 2014 and a director of Atlantic Limited from 12 March 2014. Mr Lewis resigned as a director on 6 November 2014.

Directors' Interests

Interests in the shares of the Company held by Directors of the reporting entity and their Director related entities at the date of this report are as follows.

Director	Direct	Indirect	Total
Bruce Hancox	-	-	-
Dr. Geoff Cumming	40,000	-	40,000
Ian Mitchell	1,386,382	-	1,386,382
Jeremy Delk *	-	1,466,667	1,466,667
Gary Lewis *	2,024,000	15,000	2,039,000
Total	**3,450,382**	**1,481,667**	**4,932,049**

* holdings as at date of resignation

Directors Meetings
The directors have attended the following meetings during the year:

- Audit and Risk Committee
- Remuneration & Nominations Committee

The number of directors' meetings held, including meetings held by telephone and by circulation of resolutions, and the number of those meetings attended by each of the directors of the Company, while a director, during the financial year were as follows:

	Directors Meetings		Audit and Risk Committee Meetings		Remuneration & Nominations Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Bruce Hancox	10	10	-	-	2	2
Dr. Geoff Cumming	10	9	2	2	2	2
Ian Mitchell	10	10	2	2	-	-
Jeremy Delk	10	10	-	-	-	-
Gary Lewis	3	2	-	-	-	-

Principal Activities
The principal activities of the Group during the course of the financial year were the development, manufacture and distribution of a range of medical devices and animal health products.

Financial Results
The consolidated loss after income tax attributable to members of the Company for the year was $216,879 (2014: profit of $105,241).

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

Significant Changes in State of Affairs

In the opinion of the Directors, the significant changes in the state of affairs of the Group that occurred during the year ended 30 June 2015 were as follows:

- the issue of 34,626,780 shares under a rights issue to raise $2,077,607.
- the decision to divest or dilute the Company's investment in its Animal Health business.

Review of Operations

The operating and financial review of the Group during the year is detailed on page 3 of this Annual Report.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 14 and forms part of the Directors' Report for the year ended 30 June 2015. During the year ended 30 June 2015, the lead auditor did not perform any non-audit services for the Company. An associate firm of the lead auditor provided taxation compliance services and share registry services to the Company. The Board do not consider these non-audit services affect the independence of the lead auditor.

Events Subsequent to Balance Date

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

Likely Developments and Expected Results

The Company will continue to focus on increased penetration of its human health products in the domestic market whilst pursuing opportunities in Asia and Europe. Additional growth opportunities are being be pursued in the form of new products and possible corporate transactions. In coming months the Company will update shareholders on the progress being made in its divestment/dilution strategy in respect of the Medivet Animal Health division.

Environmental Regulations

The Company has complied with its environmental obligations. No environmental breaches have been notified by any Government agency to the date of the Directors' Report and it does not anticipate any obstacles in complying with the legislation.

Indemnification of Officer or Auditor

Indemnities have been given to Directors and Officers to the extent permitted by the law, against liability which may arise through their duties as directors and officers. A confidentiality clause in the insurance contract prevents the disclosure of the insurance premium paid. No indemnifications have been provided in relation to the external auditor.

Proceedings on Behalf of the Company

No person has applied for leave of a Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Remuneration Report (Audited)

The policy of remuneration of Directors and senior executives is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board is responsible for reviewing its own performance. The Non-Executive Directors are responsible for evaluating the performance of Executive Directors who, in turn, evaluate the performance of all other senior executives. The evaluation process is intended to assess the Group's business performance, whether long term strategic objectives are being achieved and the achievement of individual performance objectives.

Components of remuneration comprise of salary, bonus and statutory superannuation where applicable. The remuneration disclosed below represents the cost to the Company for the services provided under these arrangements.

Employees are eligible to participate in a bonus scheme which pays bonuses based on a combination of discretionary factors and achievement of Key Performance Indicators.

Bonus percentages are variable and percentages if shown in the remuneration table, represent percentage of cash bonuses paid for the year ended 30 June 2015 if performance targets were met. The achievement of the performance targets for a financial year is ascertained and paid out if met in the following financial year.

The employment terms and conditions of other Key Management Personnel and Group Executives are formalised in contracts of employment. Terms of employment require that either party must give a minimum of one month and maximum of three months' notice prior to termination of the contract.

The following table provides employment details of persons who were, during the financial year, members of the key management personnel of the consolidated group.

Employment details of Key Management Personnel

Name	Title	Commencement date	Termination Provisions (Months)	% fixed remuneration
Bruce Hancox	Chairman	12 Feb 2014	N/A	100%
Dr. Geoff Cumming	Director	23 Jan 2009	N/A	100%
Ian Mitchell	Director	6 Nov 2008	N/A	100%
Jeremy Delk	Director	25 Feb 2014	N/A	100%
Darryl Ellis	Chief Executive Officer	13 Feb 2014	3	100%
Michael Jones	GM, Corporate Innovations	1 Mar 2008	1	97%
Paul Gleeson	National Sales Manager	1 Mar 2008	1	91%
Michael Andrews	Chief Financial Officer	10 Nov 2014	1	100%

Details of the nature and amount of each element of the emoluments of each Director and Specified Executive of the economic entity in the current reporting period and prior reporting period are as follows:

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

[1] resigned 6 November 2014
[2] appointed CEO 2 December 2014, previously COO
[3] appointed 10 November 2014
[4] Amounts disclosed as other long term benefits represent amounts accrued for long service leave as explained in Note 22 to the financial statements

2014	Short term salary, bonus, fees and leave $	Post-employment benefits $	Other long term benefits [5] $	Share-based payment $	Total $
Directors					
Gary Lewis	50,000	-	-	-	50,000
Dr. Geoff Cumming	36,000	3,330	-	-	39,330
Jeremy Delk	81,637	-	-	-	81,637
Ian Mitchell	40,000	-	-	-	40,000
Mark Donnison [1]	280,656	17,306	-	-	297,962
Total Directors	**488,293**	**20,636**	**-**	**-**	**508,929**
Specified Executives					
Darryl Ellis [2]	78,136	7,227	-	-	85,363
Michael Jones	181,896	16,825	10,073	-	208,794
Suraj Sethuram [3]	70,488	4,216	-	-	74,704
Ian McKenzie [4]	92,667	3,647	-	-	96,314
Total Specified Executives	**423,187**	**31,915**	**10,073**	**-**	**465,175**
Grand Total	**911,480**	**52,551**	**10,073**	**-**	**974,104**

[1] resigned 12 February 2014
[2] appointed Chief Operating Officer on 13 February 2014
[3] resigned 18 October 2013
[4] resigned 20 September 2013
[5] Amounts disclosed as other long term benefits represent amounts accrued for long service leave as explained in Note 22 to the financial statements

Service contracts with Directors and Executives

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

Service contract with Chief Executive Officer

Darryl Ellis is employed under a service contract that provides for an annual gross payment of $300,000 plus statutory superannuation. The contract is for a period of two years and may be renewed by the parties after the expiry of 18 months. Apart from serious or wilful misconduct, either party may terminate the contract by giving three month's notice in writing. Subject to approval by shareholders at the Company's next annual general meeting, the following incentive scheme will be in place for Mr. Ellis. A total of 2,500,000 ordinary fully paid shares at $0.07 each funded by a non-recourse loan are eligible to be issued to Mr. Ellis on the achievement of the following:

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

Shares and options granted to Directors and senior management as compensation

Other than the Chief Executive's share incentive plan described above, and which is subject to shareholder approval, there are no other Director or employee share or option plans currently in existence.

All share options granted under past employee share schemes have, as at the reporting date, either expired or been forfeited.

Equity holdings and transactions

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

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

[1] acquired through rights issue

[2] holdings are as at resignation date, 6 November 2014

Directors	Held at 1 July 2013	Purchased	Sold	Held at 30 June 2014
Gary Lewis	2,039,000	-	-	2,039,000
Ian Mitchell	543,276	149,915	-	693,191
Bruce Hancox	-	-	-	-
Jeremy Delk	-	1,466,667[1]	-	1,466,667
Mark Donnison [2]	2,239,367	-	-	2,239,367
Dr. Geoff Cumming	40,000	-	-	40,000
Specified Executives				
Darryl Ellis	-	-	-	-
Michael Jones	70,000	70,000[1]	-	140,000
Ian McKenzie	50,000	-	-	50,000 [3]
Suraj Sethuram	-	-	-	-

[1] acquired through issue of shares being consideration for purchase of Medivet

[2] resigned 12 February 2014 and balance shown is at that date

[3] holdings current at date of resignation 20 September 2013

End of Audited Remuneration Report

Related Parties

The Directors disclose any conflict of interests in directors' meeting as per the requirements under the Corporations Act (2001). Any disclosures that are considered to fall under the definition of related parties as per AASB 124 'Related Party Disclosures' are made in the Directors' meetings and minuted.

Signed at Sydney this 30th day of September 2015
In accordance with a resolution of the Board of Directors:

Ian Mitchell
Director

Russell Bedford NSW
Chartered Accountants

ABN 74 632 161 298
Level 29, Suncorp Place
259 George Street
Sydney NSW 2000
Australia

T: +61 2 **9032 3000**
F: +61 2 9251 1275
E: mail@rbnsw.com.au
W: www.rbnsw.com.au

30 September 2015

The Board of Directors
Medical Australia Limited
Unit 4B, 128-130 Frances Street
LIDCOMBE NSW 2141

Dear Directors

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

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

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Medical Australia Limited and any entities it controlled during the year.

Yours faithfully

Russell Bedford NSW
Chartered Accountants

STEPHEN FISHER
Partner

MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2015

	Notes	Consolidated June 2015 $	June 2014 $
Sale of goods		14,856,014	11,874,962
Cost of goods sold		(7,402,874)	(5,623,005)
Gross profit		7,453,140	6,251,957
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)
Profit/(Loss) before interest and income tax		(765,834)	119,381
Financial income		40,339	18,787
Financial expense		(13,417)	(113,223)
Net financing gain/(loss)		26,922	(94,436)
Profit/(Loss) before income tax		(738,912)	24,945
Income tax benefit	3	47,387	48,668
Profit/(Loss) for the year after income tax		(691,525)	73,613
Non-controlling interest		(474,646)	(31,628)
Net (loss)/profit for the period after non-controlling interest		(216,879)	105,241
Profit/(Loss) for the year after income tax		(691,525)	73,613
Other comprehensive income after income tax			
Items that will be reclassified subsequently to profit and loss when specific conditions are met:			
Exchange differences on translating foreign controlled entity		(454,323)	(10,702)
Total comprehensive profit/(loss) for the year		(1,145,848)	62,911

MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2015

	Note	Consolidated 2015	2014
Net profit/(loss) attributable to			
Owners of the parent entity		(216,879)	105,241
Non-controlling interest		(474,646)	(31,628)
		(691,525)	73,613
Total comprehensive income (loss) attributable to			
Owners of the parent entity		(531,731)	82,143
Non-controlling interest		(614,117)	(19,232)
		(1,145,848)	62,911
Basic earnings (loss) per share attributable to ordinary shareholders (cents per share)	4	(0.17) cents	0.14 cents

MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES

Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	Consolidated June 2015 $	June 2014 $
CURRENT ASSETS			
Cash and cash equivalents	5	933,312	1,757,258
Trade and other receivables	6	1,869,745	1,614,680
Inventories	7	2,721,680	2,144,269
Current tax receivables		60,587	26,096
Other assets	8	477,001	459,733
TOTAL CURRENT ASSETS		6,062,325	6,002,036
NON-CURRENT ASSETS			
Property, plant and equipment	9	322,026	314,956
Investments		78,947	103,379
Intangible assets	10	6,022,710	5,720,100
TOTAL NON-CURRENT ASSETS		6,423,683	6,138,435
TOTAL ASSETS		12,486,008	12,140,471
CURRENT LIABILITIES			
Trade and other payables	11	1,813,227	2,239,496
Interest bearing liabilities	12	-	8,113
Income tax payables	11	2,276	95,063
Provisions	13	234,549	242,188
TOTAL CURRENT LIABILITIES		2,050,052	2,584,860
NON-CURRENT LIABILITIES			
Trade and other payables	11	2,376	110,359
Interest bearing liabilities	12	-	9,517
Provisions	13	84,873	28,137
TOTAL NON-CURRENT LIABILITIES		87,249	148,013
TOTAL LIABILITIES		2,137,301	2,732,873
NET ASSETS		10,348,707	9,407,598
EQUITY			
Issued capital	14	26,753,918	24,676,311
Equity remuneration reserve	15	146,370	137,020
Non-controlling Interest		(1,101,527)	(487,410)
Foreign Currency translation reserve		(368,149)	(53,297)
Accumulated losses	16	(15,081,905)	(14,865,026)
TOTAL EQUITY		10,348,707	9,407,598

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 $
Balance at 30 June 2013	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)
Balance at 30 June 2014	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
Balance at 30 June 2015	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

	Notes	Consolidated June 2015 $	June 2014 $
CASH FLOWS FROM OPERATING ACTIVITIES			
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
Net cash used in operating activities	21	(2,342,307)	(1,021,092)
CASH FLOWS FROM INVESTING ACTIVITIES			
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
Net cash provided by (used in) investing activities		(537,375)	22,913
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		2,077,607	4,000,000
Repayment of borrowings		(13,099)	(1,373,712)
Net cash provided by financing activities		2,064,508	2,626,288
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
Cash and cash equivalents at the end of the year	5	933,312	1,757,258

The financial report covers Medical Australia Limited and its controlled entities ("the Group"). Medical Australia Limited is a listed public company, incorporated and domiciled in Australia. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

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

The financial report was authorised for issue by the board of directors on 30 September 2015.

Note 1 – Basis of Presentation

The financial report is a general purpose financial report, prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, modified where applicable by the measurement at fair value of selected financial assets. The accounting policies have been consistently applied.

The financial report complies with Australian Accounting Standards, which includes the Australian Accounting Interpretations. The financial report also complies with International Financial Reporting Standards (IFRS).

Where management is required to make judgements, estimates and assumptions in relation to the carrying value of assets and liabilities that have significant risk of material adjustments in the next year, and these have been disclosed in the relevant notes.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial statements. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

Basis of measurement
The consolidated financial statements have been prepared on an accrual basis and are based on historical cost, except where stated at fair value.

Functional and presentation currency
These financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the Group.

Critical accounting estimates and judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 9 – Plant and equipment
- Note 10 – Intangible Assets
- Note 13 - Provisions

Basis of consolidation
Subsidiaries
Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. A list of controlled entities is contained in Note 18 to the financial statements.

Investments in subsidiaries are carried at their cost of acquisition less accumulated impairment in the Company's financial statements.

Transactions eliminated on consolidation
Intergroup balances and any unrealised gains and losses or income and expenses arising from intergroup transactions, are eliminated in preparing the consolidated financial statements.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with the maturity of 3 months or less at the end of current financial year.

Trade and other receivables
Trade and other receivables include amounts due from customers for goods sold in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Inventories
Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition, such as freight.

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

Plant and equipment

Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

- Office Equipment is depreciated at rates between 10% and 33% per annum using the diminishing value method.
- Plant and Equipment is depreciated at rates between 10% and 33% per annum using the diminishing value method.
- Furniture and Fittings are depreciated at rates between 10% and 30% per annum using the diminishing value method.
- Warehouse Equipment is depreciated at 33% per annum using the diminishing value method.
- Lab Equipment is depreciated at 40% per annum using the diminishing value method.
- Motor Vehicle is depreciated at 20% per annum using the diminishing value method.

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

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

Intangible assets

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and is allocated to the Group's cash generating units or groups of cash generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

Product Development Costs

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit and loss", in which case transaction costs are expensed to profit and loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

Loans and receivables

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

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

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

Available-for-sale investments
Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any re-measurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

Impairment of financial assets
At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired. For financial assets carried at amortised cost, a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

De-recognition
Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Impairment
At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. An impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Trade and other payables
Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period.

Trade and other payables are stated at their amortised cost and are non-interest bearing.

Provisions
A provision is recognised in the Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Warranties
A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

Taxation
Income tax
The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses. Current and deferred income tax expense (income) is charged or credited outside the profit and loss when the tax relates to items that are recognised outside the profit and loss. Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Investment allowances and similar tax incentives
Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (eg. The Research and Development Tax Incentive regime in Australia or other investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

Tax consolidation
The Company and its wholly owned Australian resident entities have formed a tax consolidated group with effect from 1 July 2004 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Medical Australia Limited.

Current tax expense/benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the ‘separate taxpayer within group’ approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

The Company as head entity recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Indirect taxes

Revenue, expenses and assets are recognised net of the amount of goods and services tax ('GST') and value added tax (VAT), except where the amount of GST and VAT incurred is not recoverable from the taxation authority. In these circumstances, the GST and VAT is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST and VAT included. The net amount of GST and VAT recoverable from, or payable to, the taxation authority is included as a current asset or liability in the statement of financial position.

Cash flows are presented on a gross basis. The GST and VAT components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flows included in receipts from customers or payments to suppliers.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Operating segments are reported in a manner consistent with internal reporting provided to the board and management.

Revenue recognition

Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. This generally occurs upon shipment.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period, where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed.

Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Financial income
Financial income comprises interest revenue which is recognised on an accrual basis, using the effective interest method.

Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax.

Employee benefits
Wages, salaries, annual leave, long service leave, sick leave and non-monetary benefits
Employee benefit provisions for wages, salaries, annual leave, and long service leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at the reporting date including related on-costs, such as workers compensation insurance, payroll tax and superannuation. Long service leave is provided for from commencement of service, and the component payable later than 12 months from reporting date is measured at the present value of the estimated future cash flows to be made for those benefits, adjusted by a discount factor and a probability of vesting factor (including on-costs).

Earnings per share
The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the net profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

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

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

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

Issued Capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Share-based payment transactions

Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting period. The corresponding amount is recorded to the equity remuneration reserve. The fair value of options is determined using the Black Scholes model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

Fair value

The Group subsequently measures some of its assets at fair value on a recurring basis. Fair value is the price the Group would receive to sell an asset in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset (i.e. the market with the greatest volume and level of activity for the asset) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sales of the asset after taking into account transaction costs and transport costs). For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

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

New and Amended Accounting Policies Adopted by the Group

The Group adopted the following Australian Accounting Standards and Interpretation from the mandatory application date of 1 January 2014:

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities
AASB Interpretation 21 Levies

The adoption of these new accounting standards and interpretation has not had a significant impact on the Group's financial statements.

The Group adopted the following Australian Accounting Standards from the mandatory application date of 1 July 2014:

AASB 2014-1: Amendments to Australian Accounting Standards (Parts A, B and C)

Part A of this Standard is applicable to annual reporting periods beginning on or after 1 July 2014 and makes the following significant amendments:

- revises/adds the definitions of the terms "market condition", "performance condition" and "service condition" in AASB 2: *Share-based Payment*;
- clarifies that contingent considerations arising in a business combination should be accounted for as items of equity or liability and not as provisions in accordance with AASB 137: *Provisions, Contingent Liabilities and Contingent Assets*;
- requires additional disclosures when an entity aggregates its operating segments into one reportable segment in accordance with AASB 8: *Operating Segments*; and
- includes an entity that provides key management personnel services (a "management entity") to a reporting entity (or a parent of the reporting entity) within the definition of a "related party" in AASB 124: *Related Party Disclosures*.

This part also makes other editorial corrections to various Australian Accounting Standards; however, it is not expected to have a significant impact on the Group's financial statements.

Part B of this Standard is applicable to annual reporting periods beginning on or after 1 July 2014 and permits an entity to recognise the amount of contributions from employees or third parties in a defined benefit plan as a reduction in service cost for the period in which the related service is rendered, if the amount of contributions is independent of the number of years of service. This part is not expected to have a significant impact on the Group's financial statements.

Part C of this Standard is applicable to annual reporting periods beginning on or after 1 July 2014 and deletes the reference to AASB 1031: *Materiality* in particular Australian Accounting Standards. This part is not expected to have a significant impact on the Group's financial statements.

New Accounting Standards for Application in Future Periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

– AASB 2014-1: Amendments to Australian Accounting Standards (Parts D and E)

Part D of this Standard is applicable to annual reporting periods beginning on or after 1 January 2016 and makes amendments to AASB 1: *First-time Adoption of Australian Accounting Standards*, which arise from the issuance of AASB 14: *Regulatory Deferral Accounts* in June 2014. AASB 14 permits first-time adopters to continue to account for amounts related to rate regulation in accordance with their previous GAAP when they adopt Australian Accounting Standards. In line with management's assessment of AASB 14, this part is not expected to have a significant impact on the Group's financial statements.

Part E of this Standard is applicable to annual reporting periods beginning on or after 1 January 2015 and defers the application date of AASB 9 (December 2010) to annual reporting periods beginning on or after 1 January 2018. This part also makes consequential amendments to hedge accounting disclosures set out in AASB 7: *Financial Instruments: Disclosures*, and to AASB 132: *Financial Instruments: Presentation* to permit irrevocable designation of "own use contracts" as measured at fair value through profit or loss if the designation eliminates or significantly reduces an accounting mismatch. Management believes that there will not be any significant impact on the Group's financial statements on adoption of this part of the Standard.

– AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and de-recognition requirements for financial instruments and simplified requirements for hedge accounting.

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

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

– AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2017).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:
- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

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

– AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations

This Standard is applicable to annual reporting periods beginning on or after 1 January 2016. It amends AASB 11: *Joint Arrangements* to require the acquirer of an interest (both initial and additional) in a joint operation in which the activity constitutes a business, as defined in AASB3: *Business Combinations*, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. Since adoption of this Standard would impact only acquisition of interests in joint operations on or after 1 January 2016, management believes it is impracticable at this stage to provide a reasonable estimate of such impact on the Group's financial statements.

NOTE 2 – PROFIT/(LOSS) FROM OPERATING ACTIVITIES

	Consolidated	
	June 2015	**June 2014**
	$	**$**
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	101,119	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	356,145	244,039
	1,274,461	965,802

At 30 June 2015, the Group had 27 employees (2014: 23).

NOTE 3 – INCOME TAX BENEFIT	Consolidated	
	June 2015	June 2014
	$	$
Numerical reconciliation between income tax benefit and pre-tax net loss		
Profit/(loss) before tax	(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.

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

	Consolidated	
	June 2015	June 2014
	$	$
Profit/(loss) after income tax attributable to members of the parent entity used to calculate basic EPS	(216,879)	105,241
	Number	Number
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	883,550	950,051
Term deposits	49,762	807,207
	933,312	1,757,258

Amounts held in the Company's bank accounts attract variable rates of interest normally associated with business bank accounts. Term deposits as at 30 June 2015 are security for bank guarantee for the office leases. The interest rate on term deposits was 2.6% maturing in August 2015 (2014: 2.55%)

Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:

Cash and cash equivalents	933,312	1,757,258
	933,312	1,757,258

NOTE 6 – TRADE AND OTHER RECEIVABLES

Current

Trade debtors	1,929,189	1,760,318
Provision for doubtful debts	(130,733)	(145,638)
	1,798,456	1,614,680
Other receivables	71,289	-
	1,869,745	1,614,680

NOTE 6 – TRADE AND OTHER RECEIVABLES – (cont'd)

Trade debtors are based on normal terms of trade, typically 30 days from end of month. Trade debtors are carried at their fair value and the net balance of trade debtors represents the Company's exposure to credit risk at the end of the reporting period.

	Consolidated	
NOTE 7 – INVENTORIES	**2015**	**2014**
	$	**$**
Current		
Finished goods	3,134,591	2,360,329
Impairment	(412,911)	(216,060)
	2,721,680	2,144,269

Inventory is valued at the lower of cost and net realisable value. Assessments of the allowance for inventory obsolescence may require a degree of estimation and judgment. The level of the allowance is assessed by taking into account the ageing of inventories, the expected amount to be recovered through disposals and other factors that affect inventory obsolescence. Inventory items are periodically assessed for impairment indicators and as a result of such assessment, the carrying value of inventory was written down by $196,851 (2014: $154,535) to its recoverable amount.

NOTE 8 – OTHER ASSETS

Current		
Deposits	362,737	384,785
Prepaid expenses	67,395	45,239
Other	46,869	29,709
	477,001	459,733

NOTE 9 – PLANT AND EQUIPMENT

Plant and equipment	392,875	348,916
Accumulated depreciation	(334,429)	(274,524)
	58,446	74,392
Furniture and fittings	192,677	127,013
Accumulated depreciation	(118,180)	(60,473)
	74,497	66,540
Office equipment	279,959	228,002
Accumulated depreciation	(221,601)	(210,410)
	58,358	17,592
Leasehold Improvements	212,448	167,923
Accumulated depreciation	(93,946)	(77,108)
	118,502	90,815

NOTE 9 – PLANT AND EQUIPMENT (Cont'd)

Motor Vehicles	29,991	114,856
Accumulated depreciation	(17,768)	(49,239)
	12,223	65,617
Total plant and equipment	322,026	314,956

Movement in carrying amounts are as follows:

	Consolidated	
	2015	2014
	$	$
Plant and equipment		
Carrying amount at beginning of year	74,392	143,838
Additions	36,395	2,675
Effective movement in exchange rates	(3,908)	6,146
Depreciation	(48,433)	(78,267)
Carrying amount at year-end	58,446	74,392
Furniture and fittings		
Carrying amount at beginning of year	66,540	21,022
Additions	54,134	52,607
Additions – Business Acquisition	-	29,217
Effective movement in exchange rates	4,596	155
Depreciation	(50,773)	(36,459)
Carrying amount at year-end	74,497	66,540
Office equipment		
Carrying amount at beginning of year	17,592	16,638
Additions	52,280	4,225
Additions – Business Acquisition	-	12,419
Depreciation	(11,514)	(15,687)
Carrying amount at year-end	58,358	17,592
Leasehold Improvements		
Carrying amount at beginning of year	90,815	12,595
Additions	22,917	4,550
Additions – Business Acquisition	-	92,637
Effective movement in exchange rates	16,091	98
Depreciation	(11,321)	(19,071)
Carrying amount at year-end	118,502	90,815
Motor Vehicles		
Carrying amount at beginning of year	65,617	-
Additions	-	5,586
Additions – Business Acquisition	-	67,519

NOTE 9 – PLANT AND EQUIPMENT (Cont'd)

	Consolidated	
	2015	**2014**
	$	**$**
Disposals	(23,487)	-
Depreciation	(29,907)	(7,488)
Carrying amount at year-end	12,223	65,617
Total		
Carrying amount at beginning of year	314,956	194,093
Additions	165,726	69,643
Additions – Business Acquisition	-	201,792
Disposals	(23,487)	-
Effective movement in exchange rates	16,779	6,399
Depreciation	(151,948)	(156,972)
Carrying amount at year-end	322,026	314,956

Estimation of useful lives of assets

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

NOTE 10 – INTANGIBLE ASSETS

Goodwill – TUTA Healthcare	3,409,564	3,409,564
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	704,962	359,179
Less: Accumulated amortisation	(273,420)	(230,247)
Product Development Costs – Net	431,542	128,932
	6,022,710	5,720,100

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

Goodwill

An impairment test for goodwill has been separately performed for the Tuta, Clements, and Medivet businesses as at 30 June 2015. Based on the results of those tests, the Directors believe that there is no impairment loss to be recognised on the carrying values. The recoverable amount of a cash generating unit is determined on a discounted value using cash flow projections covering a five year period with terminal value based on financial budgets approved by the board. The assumptions used in the impairment model are as follows:

NOTE 10 – INTANGIBLE ASSETS (Cont'd)

Drivers	Tuta	Clements	Medivet
Revenue growth rate	2016: 14% 2017-2020: 4%	2016: 16% 2017-2020: 2%	2016: 25% 2017: 41% 2018: 67% 2019-2020: 4%
Cost of Goods Sold (% of Revenue) in base year	2016-2019: 49% 2020: 50%	2016: 62% 2017-2020: 63%	2016: 38% 2017: 36% 2018-2020: 31%
Cost of Goods Sold growth rate	2016: 15% 2017-2020: 5%	2016: 20% 2017: 7% 2018-2020: 2%	2016: 24% 2017: 34% 2018 : 43% 2019-2020: 5%
Operating Costs growth rate	2016: 19.66% 2017-2020: 3%	2016-2020: 3%	2016: (3)% 2017: 70% 2018: 0.5% 2019-2020: 3%

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

Product Development Costs
The Group has adopted a policy of capitalising product development costs related to specific projects, in accordance with AASB 138. These are amortised on a straight line basis over the useful life of the product. As at 30 June 2015, specific product development costs capitalised as intangible assets have a carrying value of $431,542 (2014: $128,932). Product development costs capitalised in the period amount to $345,783. 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.

	Consolidated	
	2015	**2014**
NOTE 11 – TRADE AND OTHER PAYABLES	**$**	**$**
Current		
Trade creditors	929,291	1,613,887
Income in advance	407,840	361,022
Payroll liabilities	73,406	41,457
Accruals	402,690	318,193
	1,813,227	2,334,559
Non-current		
Trade creditors	2,376	110,359

NOTE 12 – INTEREST BEARING LIABILITIES

	Consolidated 2015 $	2014 $
Current		
Hire Purchase	-	8,113
Non-current		
Hire Purchase	-	9,517

NOTE 13 – PROVISIONS

	2015	2014
Current		
Provision for employee annual leave and long service leave entitlements	234,549	242,188
Non-current		
Provision for employee long service leave entitlements	84,873	28,137

(a) Movements in provisions

Movements in provisions for the financial year are as follows:

Annual Leave	
Carrying amount at beginning of year	171,451
Increases to provision	163,118
Amount utilised	(156,556)
As at 30 June 2015	178,013
Long Service Leave	
Carrying amount at beginning of year	98,874
Increases to provision	62,805
Amount utilised	(20,270)
As at 30 June 2015	141,409
Current	56,536
Non-current	84,873
	141,409

Non-current provision for employee benefits have been measured at the present value of the estimated future cash outflows to be made for those benefits based on expected probabilities of employees remaining employed until the leave vests.

NOTE 14 – ISSUED CAPITAL

	2015 No.	2015 $	2014 No.	2014 $
Fully paid ordinary shares				
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	-	-
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 15 – EQUITY REMUNERATION RESERVE

	Consolidated 2015 $	2014 $
Opening balance	137,020	131,410
Share based payment expenses (i)	9,350	5,610
Closing balance	146,370	137,020

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

Details of the options which existed as at 30 June 2015 are:

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

NOTE 15 – EQUITY REMUNERATION RESERVE (Cont'd)

Details of the options which existed as at 30 June 2014 are:

Grant date	Expiry date	Exercise price	Balance at 1 July 2013	Granted during the year	Exercised during the year	Forfeited during the year	Balance at 30 June 2014	Vested and exercisable at end of the year
		$	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**
17-Sep-09	30-Jun-14	0.80	200,000	-	-	200,000	-	-
1-Feb-11	14-Jul-14	0.50	375,000	-	-	250,000	125,000	125,000
14-Sep-11	3-Sep-14	0.50	125,000	-	-	-	125,000	125,000
9-Nov-11	14-Jul-14	0.50	250,000	-	-	250,000	-	-
			950,000	**-**	**-**	**700,000**	**250,000**	**250,000**
Weighted average exercise price			$0.60	-	-	$0.60	$0.50	$0.50

The fair value of the options at grant date was determined based on the binomial option pricing model (lattice-based approach). The model inputs of the options issued were the Company's share price of $0.02 at the grant date, a risk free interest rate of 5% and an expected share price volatility factor of 70% over the life of the options based on the historical volatility of comparable listed Australian small-cap and micro-cap medical device companies. The issue of Company options results in a credit to the equity remuneration reserve for the fair value of the options issued.

NOTE 16 - 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	(216,879)	105,241
Accumulated losses at the end of the year	(15,081,905)	(14,865,026)

Dividends

No dividends were paid or declared during the year.

NOTE 17 – 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 America LLC (since renamed 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 18 - PARTICULARS IN RELATION TO CONTROLLED ENTITIES

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

Controlled Entities	Country of Incorporation	Ownership Interest 2015 %	2014 %
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

* formerly Medivet America LLC

Minority interests
Minority interests in respect of Bio Medical Developments International Pty Ltd have a value of $nil, as the partly controlled entity has incurred operating losses in excess of its capital and the parent entity has brought to account 100% of the losses beyond the capital of the partly controlled entity. The partly controlled entity remained dormant during the year.

NOTE 19 – PARENT ENTITY DISCLOSURE

Financial Position	Company	
	2015	2014
	$	$
Assets		
Current Assets	619,113	1,383,015
Non-Current Assets	9,807,693	10,778,103
Total Assets	10,426,806	12,161,118
	$	$
Liabilities		
Current Liabilities	78,099	55,138
Total Liabilities	78,099	55,138
Equity		
Issued Capital	26,753,918	24,676,311
Equity Remuneration Reserve	146,426	137,077
Accumulated Losses	(16,551,634)	(12,707,405)
Total Equity	10,348,710	12,105,983
Financial Performance		
Loss for the year *	(3,844,229)	(380,556)
Other comprehensive income	-	-
Total loss for the year	(3,844,229)	(380,556)

* includes impairment of investment in and loans to controlled entities of $3,717,493. The impairment is eliminated on consolidation

NOTE 20 – FINANCIAL RISK MANAGEMENT

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

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

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

NOTE 20 – FINANCIAL RISK MANAGEMENT (Cont'd)

Carrying amount	Consolidated 2015 $	2014 $
Cash and cash equivalents	933,312	1,757,258
Trade and other receivables	1,869,745	1,614,680
	2,803,057	3,371,938

Cash and term deposit

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

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the healthcare industry and country, in which customers operate, has less of an influence on credit risk. Approximately 12% (2014: 14%), of the Group's revenue is attributable to sales transactions with one major customer.

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

	Consolidated 2015 $	2014 $
Australia	1,447,189	1,394,947
United States	349,294	209,885
UK	73,262	9,848
	1,869,745	1,614,680

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

	Gross 2015	Impairment 2015	Gross 2014	Impairment 2014
Not past due	1,093,462	-	966,514	-
Past due 30 – 60	515,813	-	425,147	-
Past due 61 – 90	83,412	-	74,643	-
Due 90 +	236,502	(130,733)	294,014	(145,638)
	1,929,189	(130,733)	1,760,318	(145,638)

An impairment loss of $130,733 was taken up at 30 June 2015 (2014: $145,638) against customer debts where recovery of those debts is considered doubtful.

NOTE 20 – FINANCIAL RISK MANAGEMENT (Cont'd)

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

Consolidated	Carrying amount	Less than one year	Between one and five years	More than five years
30 June 2015				
Financial liabilities				
Trade and other payables	1,815,603	1,813,227	2,376	-
Interest bearing liabilities	-	-	-	-
Total contractual outflows	1,815,603	1,813,227	2,376	-
Financial assets				
Cash and cash equivalents	933,312	933,312	-	-
Trade and other receivables	1,869,745	1,869,745		
Available for sale financial assets	78,947	-	78,947	-
Total anticipated inflows	2,882,004	2,803,057	78,947	-
Net (outflow)/inflow on financial instruments	1,066,401	989,830	76,571	-
30 June 2014				
Financial liabilities				
Trade and other payables	2,444,918	2,334,559	110,359	-
Interest bearing liabilities	17,630	8,113	9,517	-
Total contractual outflows	2,462,548	2,342,672	119,876	-
Financial assets				
Cash and cash equivalents	1,757,258	1,757,258	-	-
Trade and other receivables	1,614,680	1,614,680		
Available for sale financial assets	103,379	-	103,379	-
Total anticipated inflows	3,475,317	3,371,938	103,379	-
Net (outflow)/inflow on financial instruments	1,012,769	1,029,266	(16,497)	-

Ultimate responsibility for liquidity management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate funding and monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations for the settlement of financial assets and liabilities.

NOTE 20 – FINANCIAL RISK MANAGEMENT (Cont'd)

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

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

	Effective Weighted Average Interest Rate		Consolidated	
	2015	2014	2015	2014
	%	%	$	$
Cash	-	-	883,550	950,051
Term deposits	3.20	3.50	49,762	807,207
Financial Assets			933,312	1,757,258
Financial Liabilities			-	-
Net Financial exposure			933,312	1,757,258

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

Change in Net Profit:		
Interest rise by 2% (200 basis points)	995	16,144
Interest cut by 2% (200 basis points)	(995)	(16,144)
Change in Equity:		
Interest rise by 2% (200 basis points)	995	16,144
Interest cut by 2% (200 basis points)	(995)	(16,144)

NOTE 20 – FINANCIAL RISK MANAGEMENT (Cont'd)

Currency risk
The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than Australian dollars, being the respective functional currencies of the Group's entities. During the year ended 30 June 2015 approximately 68% (2014: 76%) of the Group's sales were denominated in AUD with the remaining balance in USD. Approximately 81% of the Group's purchases were in foreign currencies, approximately 80% in USD with the remainder in JPY and EURO.

A sensitivity analysis based on the trade payables as at 30 June 2015 with currencies other than Australian dollars is provided:

	Amount	Exchange Rate at 30 June 2015	AUD Equivalent	10% Unfavourable Movement
JPY	1,779,995	93.92	18,952	21,058
USD	453,415	0.768	590,384	655,982
			609,336	677,040
		Reduction in earnings		(67,704)

The Group did not hedge any of its foreign currency exposure at 30 June 2015.

Capital management
The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board ensures costs are not incurred in excess of available funds. There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

The gearing ratio at year end was as follows:

	Consolidated 2015 $	2014 $
Financial Assets		
Debt (i)	-	(17,630)
Cash and cash equivalents	933,312	1,757,258
Net Debt	-	-
Equity (ii)	10,348,707	9,407,598
Net Debt to Equity ratio	-	-

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

NOTE 20 – FINANCIAL RISK MANAGEMENT (Cont'd)

Net fair values of financial assets and liabilities

Financial Instruments
One of the Group's financial assets is measured at fair value at the end of each reporting period. The following table gives information about how the fair value of this financial asset was determined, in particular the valuation technique and inputs used.

Financial asset/liabilities	Fair value as at		Fair value hierarchy	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	30 June 15	30 June 14				
Private equity investment - 10% shareholding in Equine Sports Science Institute LLC – written off in reporting period	NIL	$39,321	Level 3	Discounted cashflow	Long-term revenue growth, new products	The higher the revenue growth and the better the acceptance of new products, the higher the fair value
Private equity investment - Medivet Lexington	$78,947	$64,058	Level 3	Discounted cashflow	Long-term revenue growth, new products	The higher the revenue growth and the better the acceptance of new products, the higher the fair value

The carrying amounts of all other financial assets and liabilities approximate their net fair values, given the short time frames to maturity.

NOTE 21 - CASH FLOW INFORMATION

a. Reconciliation of Cash Flow from Operations with Profit after Income Tax		Consolidated June 2015 $	June 2014 $
Profit/(loss) for the year after income tax		(691,525)	73,613
Adjustments for:			
Depreciation and amortisation of non-current assets		195,120	206,122
Expense recognised in respect of equity-settled share-based payments	(b)	9,350	5,610
Other movements		(237,703)	(36,102)
Movements in working capital (net of movements arising from business combinations)			
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)
Net cash used in operating activities		(2,342,307)	(1,021,092)

b. Non-cash financing and investing activities

Share issues:

On 10 December 2014 50,000 fully paid ordinary shares were issued at nil cents per share to a consultant for services rendered.

NOTE 22 – DIRECTORS AND KEY MANAGEMENT PERSONNEL DISCLOSURES

Individual directors and executives compensation disclosures
Information regarding individual directors and executives' compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 are provided in the Remuneration Report Section of the Directors' report.

Summary of remuneration of Directors & Key Management Personnel:

	Short term salary, bonus, fees and leave	Post-employment benefits	Other long term benefits	Share based payment expense	Total
2015	$1,191,862	$78,480	$6,933	-	$1,277,275
2014	$911,480	$52,551	$10,073	-	$974,104

Short-term salary, bonus, fees and leave
These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

Post-employment benefits
These amounts are the current-year's estimated cost of providing for superannuation contributions made during the year and post-employment life insurance benefits.

Other long term benefits
These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

Share based payment expense
These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Further information in relation to KMP remuneration can be found in the Directors' Report.

NOTE 23 – RELATED PARTY TRANSACTIONS

At balance date, the Company had the following amounts receivable from its controlled entities:

Controlled entities	**2015**	**2014**
BMDi Pty Limited	$4,151,437	$4,151,437
BMDi TUTA Healthcare Pty Ltd	$6,740,400	$5,319,564
Bio Medical Developments International Pty Limited	$1,674,574	$1,674,574
BMDi Tuta Healthcare UK Limited	$1,039,814	$826,740
Provision for impairment	($1,039,814)	-
Medivet Biologics LLC	$1,571,290	$245,042
Provision for impairment	($1,571,290)	-

These amounts are interest free, unsecured, have no fixed term of repayment and are repayable out of future profits.

In addition to the above, the Company has had the following dealings with director related entities.

Delk Enterprises, a company controlled by director Jeremy Delk, owns the property in which Medivet Biologics LLC operates from. Rent charged is on a commercial basis and the amount incurred in the reporting period and charged to Occupancy Costs in the Consolidated Statement of Comprehensive Income was $71,630 (2014: $33,171). There were no amounts outstanding at the period end to Delk Enterprises.

Also during the reporting period, the Company purchased products for use in its animal health business from Medivet Trading Hong Kong ("MTHK") totalling $187,374, (2014: $15,191). Jeremy Delk was at all times during the reporting period a shareholder in MTHK. All transactions were on a commercial, arms-length basis. Included in Other Current Assets in the Consolidated Statement of Financial Position is an amount of $19,508 representing a deposit paid to MTHK for inventory, which at balance date had yet to be received. Included in Trade and Other Payables (Current) in the Consolidated Statement of Financial Position is an amount payable to MVHK of $65,104 (2014: $399,323).

Included in Trade and Other Payables in the Consolidated Statement of Financial Position, are amounts owed for director fees to Bruce Hancox, $61,667 and Ian Mitchell, $10,000.

Other than the details disclosed in this note and in the Remuneration Report, no director or specified executive has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

NOTE 24 - SEGMENT REPORTING

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

Business unit segments 30 June 2015	**Human Health $**	**Animal Health $**	**Elimination $**	**Consolidated $**
Revenue				
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
				15,112,209
Interest expense	(13,417)	-	-	(13,417)
Depreciation expense	(139,642)	(55,478)	-	(195,120)
Tax benefit	10,000	37,387	-	47,387
Result				
Segment result after tax	1,313,389	(2,004,914)	-	(691,525)
Segment result after NCI	1,313,389	(1,530,268)	-	(216,879)
Net profit/(loss) after NCI	1,313,389	(1,530,268)	-	(216,879)
Assets				
Segment assets	12,958,797	2,030,954	(2,503,743)	12,486,008
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
	111,999	42,512	-	154,511
Segment liabilities	**1,613,280**	**2,629,865**	**(2,105,844)**	**2,137,301**

NOTE 24 –SEGMENT REPORTING (Cont'd)

Business unit segments **30 June 2014**	**Human Health** **$**	**Animal Health** **$**	**Elimination** **$**	**Consolidated** **$**
Revenue				
External segment income	10,017,111	1,857,850	-	11,874,961
Interest income	18,787	-	-	18,787
				11,893,748
Interest expense	(111,520)	(1,703)	-	(113,223)
Depreciation expense	(185,389)	(20,732)	-	(206,121)
Tax benefit	50,944	(2,276)	-	48,668
Result				
Segment result after tax	283,298	(209,685)	-	73,613
Segment result after NCI	283,298	(178,057)	-	105,241
Net profit/(loss) after NCI	283,298	(178,057)	-	105,241
Assets				
Segment assets	11,686,511	1,243,294	(789,334)	12,140,471
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
	67,773	-	-	67,773
Segment liabilities	**1,799,033**	**1,384,402**	**(450,562)**	**2,732,873**

NOTE 24 –SEGMENT REPORTING (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 $	Elimination $	Consolidated $
Revenue						
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
						15,112,209
Interest expense	(13,417)	-	-	-	-	(13,417)
Depreciation expense	(162,363)	-	(19,580)	(13,177)	-	(195,120)
Tax benefit	47,387	-	-	-	-	47,387
Result						
Segment result after tax	508,883	38,300	(1,190,788)	(47,920)	-	(691,525)
Segment result after NCI	508,883	38,300	(716,142)	(47,920)	-	(216,879)
Net profit/(loss) after NCI	508,883	38,300	(716,142)	(47,920)	-	(216,879)
Assets						
Segment assets	14,721,131	-	844,215	228,141	(3,307,479)	12,486,008
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
	131,594	-	22,917	-	-	154,511
Segment liabilities	**1,294,822**	**-**	**3,616,014**	**1,134,857**	**(3,908,392)**	**2,137,301**

NOTE 24 –SEGMENT REPORTING (Cont'd)

Geographical segments 30 June 2014	Australia $	Asia $	United States $	United Kingdom $	Elimination $	Consolidated $
Revenue						
External segment income	8,805,045	689,143	1,229,842	310,952	839,979	11,874,961
Interest income	18,787	-	-	-	-	18,787
						11,893,748
Interest expense	(112,608)	-	(615)	-	-	(113,223)
Depreciation expense	(177,580)	-	(9,899)	(18,642)	-	(206,121)
Tax benefit	48,668	-	-	-	-	48,668
Result						
Segment result after tax	362,596	27,566	(95,519)	(254,629)	33,599	73,613
Segment result after NCI	362,596	27,566	(63,891)	(254,629)	33,599	105,241
Net profit/(loss) after NCI	362,596	27,566	(63,891)	(254,629)	33,599	105,241
Assets						
Segment assets	13,004,652	-	592,388	165,918	(1,622,487)	12,140,471
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
	62,187	-	-	5,586	-	67,773
Segment liabilities	**1,062,408**		**1,816,740**	**923,483**	**(1,069,758)**	**2,732,873**

NOTE 24 –SEGMENT REPORTING (Cont'd)

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

NOTE 25 - COMMITMENTS

a) Operating Lease Commitments	**Consolidated**	
	2015	**2014**
Payable:	**$**	**$**
Within 1 year	288,558	252,061
Between 1 and 5 years	378,128	527,368
Over 5 years	-	95,580
	666,686	875,009

The above lease commitments are predominantly in respect of office premises in Australia and the US. The office lease in Australia is for a 3 year non-cancellable term, providing for annual 4% increases and expiring 14 December 2016. The US office lease is a 10 year non-cancellable lease with no provisions for annual increases and expiring on 31 December 2019.

NOTE 26 - 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, development 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.

NOTE 26 - ASSETS HELD FOR SALE – (Cont'd)

The majority of disposal assets are presented in Note 24, 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.

NOTE 27 – EVENTS SUBSEQUENT TO BALANCE DATE

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 26.

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.

NOTE 28 – AUDITORS' REMUNERATION

Remuneration of the auditor of the parent entity for:	**$**	**$**
Auditing or reviewing the financial report	70,500	79,000
Non-audit services: share registry, other	18,280	11,675
	88,780	90,675
Remuneration of other auditors of subsidiaries for:		
Auditing or reviewing the financial report of subsidiaries	34,737	18,915
Non-audit services: taxation, other	9,124	12,420
	43,861	31,335

DIRECTORS' DECLARATION

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

1. (a) the financial statements and notes set out on pages 15 to 58 and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report, set out on pages 9 to 13, are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards, (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   (b) the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report comply with the Corporations Act 2001 and the Corporations Regulations 2001; and

   (c) there are reasonable grounds to believe that the Company and the Group will be able to pay their debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2015.

3. The Directors draw attention to Note 1 of the consolidated financial statements, which includes a statement of compliance with International Financial Reporting standards.

Signed at Sydney this 30th day of September 2015
in accordance with a resolution of the Board of Directors:

Ian Mitchell
Director

Russell Bedford NSW
Chartered Accountants

ABN 74 632 161 298
Level 29, Suncorp Place
259 George Street
Sydney NSW 2000
Australia

T: +61 2 **9032 3000**
F: +61 2 9251 1275
E: mail@rbnsw.com.au
W: www.rbnsw.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MEDICAL AUSTRALIA LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Medical Australia Limited which comprises the consolidated statement of financial position as at 30 June 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial statements and the directors' declaration of the Company comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial statements

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements. Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Matters Relating to Electronic Publication of the Audited Financial Report

This audit report relates to the financial report of Medical Australia Limited for the year ended 30 June 2015 included on the website of Medical Australia Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on this integrity. This audit report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of the financial report are concerned with the inherent risk arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

Independence
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial statements we were engaged to undertake services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditors' opinion
In our opinion:

1. the financial statements of Medical Australia Limited is in accordance with:

(a) the *Corporations Act* 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

2. the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on The Remuneration Report
We have audited the Remuneration Report included on pages 9 to 13 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.

Auditor's Opinion on The Remuneration Report
In our opinion the Remuneration Report of Medical Australia Limited for the year ended 30 June 2015, complies with section 300A of the Corporations Act 2001.

Russell Bedford NSW
Chartered Accountants

STEPHEN FISHER
Partner

Dated this 30th day of September 2015
Sydney

Additional Securities Exchange Information

Additional information as at 31 August 2015 required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report.

Home Exchange
The Company is listed on the Australian Securities Exchange. The Home Exchange is Sydney.

Committees
Details of the committees that were present at the date of this report and the memberships thereof are as follows:
Audit and Risk Committee – Dr. G. Cumming & Mr. I. Mitchell
Remuneration Committee – Mr. B. Hancox & Mr. G. Cumming

Substantial Shareholdings
At 31 August 2015 the Register of Substantial Shareholders showed the following:

UBS NOMINEES PTY LTD	20,952,250
WALKER GROUP HOLDINGS PTY LTD	20,000,000
Y Z J TRADING CO PTY LTD	19,260,477
MR ANDREW FAY & MRS NARELLE FAY	13,359,382
CITICORP NOMINEES PTY LIMITED	10,308,551

Class of Shares and Voting Rights
The voting rights attached to ordinary shares, as set out in the Company's Constitution, are that every member in person or by proxy, attorney or representative, shall have one vote on a show of hands and one vote for each share held on a poll.

A member holding partly paid shares is entitled to a fraction of a vote equivalent to the proportion which the amount paid up bears to the issue price for the share.

Distribution of Shareholders
At 31 August 2015, the distribution of fully paid ordinary shares was as follows:

Range	Total Holder	Fully Paid Ordinary Shares	% Issued Capital
1 - 1,000	108	46,291	0.03%
1,001 - 5,000	155	484,790	0.36%
5,001 – 10,000	77	653,233	0.50%
10,001 – 100,000	187	6,886,462	5.10%
100,001 and over	95	128,695,255	94.01%
		136,766,031	100.00%

At 31 August 2015, 282 shareholders held less than a marketable parcel of 5,556 shares.

Use of Cash and Assets
Since the Company's listing on the Australian Securities Exchange, the Company has used its cash and assets that it had at the time of listing in a way consistent with its stated business objectives.

On Market Buy Back
There is no on market buy-back.

Consolidated Twenty Five Largest Shareholders
At 31 August 2015 the consolidated twenty five largest quoted shareholders held 84% of the fully paid ordinary shares as follows:

Rank	Shareholder Group	No. of Ordinary Shares	%
1	UBS NOMINEES PTY LTD	20,952,250	15.3%
2	WALKER GROUP HOLDINGS PTY LTD	20,000,000	14.6%
3	Y Z J TRADING CO PTY LTD	19,260,477	14.1%
4	MR ANDREW FAY & MRS NARELLE FAY	13,359,382	9.8%
5	CITICORP NOMINEES PTY LIMITED	10,308,551	7.5%
6	GARRY ANDREWS	6,367,774	4.7%
7	DB GENETICS LLC	2,750,000	2.0%
8	MRS RASA ROBERTS	2,452,932	1.8%
9	AUCKLAND TRUST COMPANY	2,174,340	1.6%
10	MR MARK DONNISON & MRS SUZANNE DONNISON	1,989,367	1.5%
11	DELK ENTERPRISES INC	1,466,667	1.1%
12	GARY LEWIS & AVIVA SCHUMER	1,439,807	1.1%
13	MR IAN BURNHAM MITCHELL	1,386,382	1.0%
14	MR NIMA ALAVI-MOGHADAM	1,274,292	0.9%
15	STEVEN J MILLER & CO	1,180,000	0.9%
16	TREPLO PTY LIMITED	1,088,889	0.8%
17	AMNICOLE INVESTMENTS PTY LTD	1,088,889	0.8%
18	THREE PAGODAS PTY LTD	1,048,889	0.8%
19	CORDATO PARTNERS	1,029,457	0.8%
20	JOHN WARDMAN & ASSOCIATES PTY LTD	950,000	0.7%
21	MR LESLIE HAROLD FRANCIS	916,667	0.7%
22	ADISTEM LTD	916,667	0.7%
23	MR MICHAEL HUTCHINSON	733,333	0.5%
24	MR KENNETH MCDONALD	733,333	0.5%
25	MR ROBERT FAMOLARO-BEYTIA	733,333	0.5%
	Top 25	**115,601,678**	**84.5%**
	Other	21,164,353	15.5%
	Total	**136,766,031**	**100.0%**

The Board of Directors is responsible for the overall Corporate Governance of the Company and oversight of management, and for protecting the rights and interests of the shareholders, by adopting systems of control and managed risk as the basis for administration.

The Board is committed to maintaining the highest standards of Corporate Governance possible within the framework of its current organisation and structure. Corporate Governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders.

The Board of Directors supports the Principles of Good Corporate Governance and Best Practice Recommendations developed by the ASX Corporate Governance Council (the “Council”). The Company's practices are consistent with the Council's guidelines. The Board uses its best endeavours to ensure exceptions to the Council's guidelines do not have a negative impact on the Company and the best interests of shareholders as a whole. When the Company is not able to implement one of the Council’s recommendations the Company applies the “if not, why not” explanation approach by applying practices in accordance with the spirit of the relevant principle.

The following discussion outlines the ASX Corporate Governance Council's eight principles and associated recommendations and the extent to which the Company complies with those recommendations.

Principle 1 – Lay solid foundations for management and oversight

The Company has adopted recommendation 1.1 to disclose the functions reserved to the Board and those delegated to senior executives to the board are the

1.1 The Board – Role and Responsibilities

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. The Board is also responsible for the overall corporate governance and management oversight of the Company, and recognises the need for the highest standards of behaviour and accountability in acting in the best interests of the Company as a whole.

The Board also ensures that the Company complies with all of its contractual, statutory and any other legal or regulatory obligations. The Board has the final responsibility for the successful operations of the Company.

Where the Board considers that particular expertise or information is required, which is within the knowledge of the Board, appropriate external advice is taken and reviewed prior to a final decision being made by the Board.

Without intending to limit the general role of the Board, the principal functions and responsibilities of the Board include the following:

- formulation and approval of the strategic direction, objectives and goals of the Company;
- the prudential control of the Company's finances and operations and the monitoring of the financial performance of the Company;
- the resourcing, reviewing and monitoring of executive management;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- the timeliness, accuracy and effectiveness of communications and reporting to shareholders and the market; and
- the establishment and maintenance of appropriate ethical standards.
- the Board undertakes appropriate security checks before appointing a Director or allowing a Director to nominate for re-election as a Director of the Company and provides Shareholders with any relevant results of such checks.
- the Company has a written agreement with each Director and senior executive setting out the terms of their appointment.

1.2 Evaluation of Performance of Executives

The Company has adopted recommendation 1.2 for evaluating the performance of senior executives.

That evaluation is by way of a report on such performance by the Chief Executive Officer to the Remuneration and Nomination Committee whenever senior executives are engaged.

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

Principle 2 – Structure the Board to add value

2.1 Board of Directors - composition, structure and process

The Board has been formed so that its effective composition, size and commitment adequately discharges its responsibilities and duties given the Company’s current size, scale and nature of its activities.

Due to the small size of the Company, the Board is made up of three Directors. No Directors are involved in management, but have experience as Directors in public listed companies.

All present Directors are independent the Board. All Directors are required to bring to the Board their independent judgement, irrespective if they are independent or not.

2.2 Regular assessment of independence

An Independent Director, in the view of the Company, is a Non-executive Director who:

- within the last three years has not been employed in an executive capacity by the Company, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional advisor or a material consultant to the Company, or an employee materially associated with a service provider;
- is not a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The composition of the Board is reviewed periodically with regards to the optimum number and skills of Directors required for the Board to properly perform its responsibilities and functions.

2.3 Office of Chairman and Chief Executive Officer

The office of Chair is held by an independent Director.

The Chairman leads the Board and has responsibility for ensuring the Board receives accurate, timely and clear information to enable Directors to perform their duties as a Board.

The Chief Executive Officer is responsible and accountable to the Board for the Company's management.

2.4 Remuneration and Nomination Committee

The Board has established a Remuneration and Nomination Committee and Charter. The Committee considers nominations for the appointment or election of Directors that may arise from time to time having regard to the corporate and governance skills required by the Company and procedures outlined in the Constitution and the Corporations Act and ASX Listing Rules.

The Remuneration and Nomination Committee is appointed by the Board. It is Chaired by an independent Director. The Committee implements the functions listed below.

The responsibilities assumed by the Remuneration and Nomination Committee include:

- Board and senior executive functions;
- Board composition;
- number of Board members;
- criteria for nomination of Directors;
- selection and appointment of the Chairman;
- selection and appointment of the Secretary;
- determine the frequency of meetings of the Committee;
- seek professional advice when required;
- responsibilities of the Committee;
- oversight of Board and executive succession plans; and
- Evaluate performance of Senior Executives.

2.5 Performance review and evaluation

The Company discloses its process for evaluating the performance of the Board, Committees and Independent Directors.

It is the policy of the Board to ensure that the Directors and executives of the Company are equipped with the knowledge and information they need to discharge their responsibilities effectively, and that individual and collective performance is regularly and fairly reviewed by the Board. There is on-going monitoring by the Chairman and the Board of such knowledge, information and experience. The Chairman also speaks with each Director individually regarding their role as a Director.

2.6 Evaluation Process

<u>Induction and education</u>

The Company has a policy of providing each new Director or officer with a copy of the following documents:

- Audit and Risk Committee Charter;
- Remuneration and Nomination Committee Charter;
- Code of Conduct;
- Continuous Disclosure Policy;
- Share Trading Policy; and
- Constitution.

Access to information

Each Director has access to Board papers and all relevant documentation.

Skills, knowledge and experience

Directors are appointed based on the specific corporate and governance skills and experience required by the Company. The Board consists of a relevant blend of personal experience in manufacture and marketing, pharmaceutical and veterinary technology, accounting and finance, law, financial and investment markets, financial management and public company administration, and, Director-level business or corporate experience required by the Company.

Independent directors

The Company considers that the current directors are Independent Directors. The names, qualifications, experience of each Director and period in office are as set out in the Annual Report, as well as whether the Board considers them to be Independent Directors. The Chairman is an independent Director.

Professional advice

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

Terms of appointment as a director

The Constitution of the Company provides that a Director may not retain office for more than three calendar years or beyond the third Annual General Meeting following his or her election, whichever is longer, without submitting himself or herself for re-election. One third of the Directors must retire each year and are eligible for re-election. The Directors who retire by rotation at each Annual General Meeting are those with the longest length of time in office since their appointment or last election.

2.7 Nomination Committee

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

Principle 3 – Act Ethically and Responsibly

3.1 Code of conduct and ethical standards

The Company has established a formal code of conduct that guides compliance with all levels of legal and other obligations to stakeholders. The Code is focused on ensuring that all Directors, executives and employees act with the utmost integrity and objectivity in carrying out their duties and responsibilities, striving at all times to enhance the reputation and performance of the Company. The code of conduct is included on the Company's website.

The code of conduct outlines:

- the practices necessary to maintain confidence in the Company's integrity;
- the practices necessary to take into account legal obligations and reasonable expectations of stakeholders; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Access to company information and confidentiality

All Directors have the right of access to all relevant Company books and to the Company's executive management. In accordance with legal requirements and agreed ethical standards, Directors and executives of the Company have agreed to keep confidential information received in the course of exercising their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

Share dealings and disclosures

The Company has adopted a policy relating to the trading of Company securities. The Board restricts Directors, executives and employees from acting on material information until it has been released to the market. Executives, employees and Directors are required to consult the Chairman and the Board respectively, prior to dealing in securities in the Company or other companies with which the Company has a relationship.

Share trading by Directors, executives or employees is not permitted at any time whilst in the possession of price sensitive information not already available to the market. In addition, the Corporations Act prohibits the purchase or sale of securities whilst a person is in possession of inside information.

Conflict of interest

To ensure that Directors are at all times acting in the best interests of the Company, Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and

- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot, or is unwilling to remove a conflict of interest then the Director must, as required by the Corporations Act, absent himself from the room when Board discussion and/or voting occurs on matters about which the conflict relates.

Related party transactions

Related party transactions include any financial transaction between a Director and the Company as defined in the Corporations Act or the ASX Listing Rules. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction. The Company also discloses related party transactions in its financial statements as required under relevant Accounting Standards.

3.2 Diversity

The Company has established a policy concerning diversity. The policy is disclosed on the Company's website.

3.3 Disclosure of Diversity Objectives

The Company discloses in each Annual Report the measurable objectives for achieving gender diversity in accordance with the diversity policy and the current position in relation thereto.

3.4 Proportion of Women Employees

The Company discloses in each Annual Report the proportion of women employees in its organisation, senior executive positions and on the Board.

3.5 Publicly available information

The Company makes publicly available on the Company's website, the Share Trading Policy, and Continuous Disclosure Policy and Code of Conduct under the corporate governance section.

Principle 4 – Safeguard integrity in financial reporting

4.1 Audit and Risk Committee

The Company has established an Audit and Risk Committee which has a corresponding charter. The objective of the Committee is to make recommendations to the Board regarding, the adequacy of the external audit, risk management and compliance procedures. The Committee evaluates from time to time the effectiveness of the financial statements prepared for the Board meetings and ensures that an independent judgement is exercised in relation thereto.

4.2 Membership of Audit and Risk Committee

Three independent Directors are members of the Audit & Risk Committee and the Audit & Risk Committee is not chaired by the Chairman of the Company.

4.3 Charter of Audit and Risk Committee

The Audit & Risk Committee charter includes the following:

- duties and responsibilities of the Committee;
- meetings;
- complaints procedures;
- composition of the Audit & Risk Committee;
- structure of the Audit & Risk Committee;
- number of meetings; membership requirements: and selection, appointment and rotation of the external auditor.

4.4 Members and Qualifications of Audit and Risk Committee

The members and qualifications of the Audit & Risk Committee are as set out in the Annual Report together with the number of meetings each member attended.

4.5 Status of Financial Statements

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

4.6 Auditor attendance at Meetings

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

Principle 5 – Make timely and balanced disclosure

5.1 Continuous disclosure to the ASX

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with shareholders.

Accordingly the Company will notify the ASX promptly of information:

- concerning the Company, that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities; and
- the announcements are made in a timely manner, are factual and do not omit material information in order to avoid the emergence of a false market in the Company's securities.

5.2 Disclosure Policy

The Company has adopted a continuous disclosure policy which is included on the Company's website.

Principle 6 – Respect the rights of shareholders

6.1 Communications

The Company has not adopted recommendation 6.1 because it does not have a formal Shareholders' Communication Policy.

6.2

Although the Company does not have a Shareholder Communication Policy the Company recognises its duty to ensure that its shareholders are informed of the details of the Company's Structure, its governance and all major developments affecting the Company's state of affairs. Information is communicated to shareholders and the market through:

- the Annual Report which is distributed to shareholders as requested (usually with the Notice of Annual General Meeting); and is displayed on the companies website
- the Annual General Meeting and other general meetings called to obtain shareholder approvals as appropriate;
- the half-yearly Directors' and financial statements;
- quarterly activities and cash flow reports; and
- other announcements released to the ASX as required under the continuous disclosure requirements of the ASX Listing Rules and other information that may be mailed to shareholders or made available through the Company's website.

The Company actively promotes communication with shareholders through a variety of measures, including the use of the Company's website and email. The Company's reports and ASX announcements are made available on the Company's website and on the ASX website and Shareholders' questions may be directed to members of the Board.

Principle 7 - Recognise and manage risk

7.1 Risk Management

The Board is responsible for the identification, monitoring and management of significant business risks and the implementation of appropriate levels of internal control. At each of its monthly meetings the Board regularly reviews and monitors areas of significant business risk.

7.2 Risk Management Control

Because the Board has the oversight function of risk management and internal control system the risk management functions and oversight of material business risks are performed directly by the Board and not by management.

<u>Internal control and risk management</u>

The primary vehicle for managing corporate risks is the Audit & Risk Committee appointed by the Board. The Committee reviews systems of external and internal controls and areas of significant operational, financial and property risk and ensures arrangements are in place to contain such risks to acceptable levels.

The Company ensures that appropriate insurance policies are kept current to cover all potential risks and maintaining Directors' and Officers' professional indemnity insurance.

The internal audit function is carried out by the Audit & Risk Committee.

7.3 CEO and CFO declarations

The Board has determined that the Chief Executive Officer and the Chief Financial Officer are the appropriate persons to make the CEO and CFO declarations in respect of each financial year ended, as required under section 295A of the Corporations Act and recommended by the ASX Corporate Governance Council. The Board also satisfies itself that the internal control system is operating effectively in all material respects.

7.4 Internal Controls and Risk Management

- the Board conducts evaluations regarding internal control and risk management;
- the Board receives the assurance of compliance from the Chief Executive Officer and Chief Financial Officer
- the Company does not have a written policy on risks oversight management of business material risks because the number of people engaged in the Company's operations is insufficient to warrant production of a detailed policy document; and
- independent professional advice - subject to prior

consultation with the Chairman, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

Principle 8 – Remunerate fairly and responsibly

8.1 Remuneration and Nomination Committee

The Board has established a Remuneration & Nomination Committee which reports to the Board.

8.2 Remuneration & Nomination Committee charter and responsibilities

The Company has established a Remuneration and Nomination Committee charter. The role and responsibility of the Committee/Board is to review and make recommendations in respect of:

- executive remuneration policy;
- Executive Director and senior management remuneration;
- Non-executive Directors' Remuneration;
- performance measurement policies and procedures;
- Administration of the Company's Diversity policy;
- Board evaluation and performance of Directors; and
- Issue and allotment of options to Directors and Senior Executives.

<u>Composition of the Remuneration & Nomination Committee</u>

The Remuneration & Nomination Committee is structured so that is made up of:

- only Non-executive Directors;
- Independent Directors; and
- an independent Chairman, who is not chairman of the board.

8.3 Remuneration policy

Directors remuneration is adopted by shareholders at the Annual General Meeting. The salary and emoluments paid to officers are approved by the Board. The Chief Executive Officer has entered into a Service Agreement for a term not exceeding three years. Consultants are engaged as required pursuant to service agreements. The Company ensures that fees, salaries and emoluments are in line with general standards for publicly listed companies of the size and type of the Company. All salaries of Directors and statutory officers are disclosed in the Annual Report of the Company each year.

8.4 Salaries and Allowances

- The salary component of the Chief Executive Officer remuneration is made up of fixed remuneration;
- The salary component of Non-executive Directors is made up of fixed remuneration.
- An incentive Share Scheme is proposed as additional to the salary component of the Chief Executive Officer's remuneration as announced by the Company on 10 March 2015.
- The Company discloses the names of Directors in the Remuneration & Nomination Committee in its Annual Report as well as the number of times such Committee has met and attendance at such meetings;
- The Company does not provide any schemes for retirement; and
- The Company has made publicly available a summary of the Remuneration & Nomination Committee Charter on the Company's website.

Corporate Governance Compliance

The Company confirms that it complies with ASX Listing Rule 4.10.3 relating to Corporate Governance Reporting except where specifically otherwise mentioned in this Corporate Governance Statement.