

# MEDICAL AUSTRALIA LIMITED

A.B.N. 30 096 048 912

## Appendix 4D

Australian Securities Exchange Listing Rules Disclosure

### Half-year report

For the period ending 31 December 2013

Compared to prior half-year period 31 December 2012

## Results for announcement to the market

### ENTITY RESULTS

	31 December 2013	31 December 2012	Change \$	Change %
Revenue from ordinary activities	5,287,171	4,786,335	500,836	Increase 10.5%
Loss from ordinary activities after tax attributable to members	(139,464)	(296,453)	156,989	Decrease 53%
Net loss for the period attributable to members	(211,898)	(300,921)	89,023	Decrease 29.6%

### DIVIDENDS

No interim dividend was declared for the period ended 31 December 2013.

### EXPLANATION OF RESULTS

Please refer to the half-year commentary for an explanation of the results.

### NET TANGIBLE ASSETS PER SECURITY

	31 December 2013	31 December 2012
Net Tangible Assets per ordinary share	3.5 cents	0.76 cents



**MEDICAL AUSTRALIA LIMITED**

**A.B.N. 30 096 048 912**

**INTERIM FINANCIAL REPORT**

**FOR THE HALF-YEAR ENDED**

**31 DECEMBER 2013**

Lodged with the ASX under Listing Rule 4.2A.

This information should be read in conjunction with the 30 June 2013 Annual Report.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

**Corporate Directory**

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**DIRECTORS**

Mr Gary Lewis (Chairman)  
Mr Ian Mitchell  
Dr Geoff Cumming  
Mark Donnison (resigned 12 February 2014)  
Bruce Hancox (appointed 12 February 2014)  
Jeremy Delk (appointed 25 February 2014)

**COMPANY SECRETARY**

Mr Ian Mitchell

**REGISTERED OFFICE**

Level 11, 37 Bligh Street  
SYDNEY NSW 2000 Australia  
Phone: +61-2 9233 2688 Fax: +61-2 9233 3828

**PRINCIPAL OFFICE**

Unit 4B 128-130 Frances Street  
LIDCOMBE NSW 2141  
Phone: +61-2 9466 5300 Fax: +61-2 9922 7165

**AUDITORS**

Gould Ralph Assurance  
Level 42, Suncorp Place  
259 George Street  
SYDNEY NSW 2000  
Phone: +61-2 9032 3000 Fax: +61-2 9032 3088

**SOLICITORS**

Websters  
Level 11, 37 Bligh Street  
SYDNEY NSW 2000 Australia  
Phone: +61-2 9233 2688 Fax: +61-2 9233 3828

**SHARE REGISTRY**

Gould Ralph Pty Limited  
Level 42, Suncorp Place  
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Phone: +61-2 9032 3000 Fax: +61-2 9032 3088

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

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**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

**Directors' Report**  
**For the half-year ended 31 December 2013**

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Your directors submit their directors' report together with the consolidated financial report of the Company, being Medical Australia Limited and its controlled entities, for the half-year ended 31 December 2013, and the auditor's review report thereon.

**Directors**

The names of directors of the Company holding office at any time during or since the end of the half-year are:

Gary Lewis (Chairman)	Director since 10 January 2012
Ian Burnham Mitchell	Director since 6 November 2008
Mark Donnison	Director since 30 June 2011 (resigned 12 February 2014)
Dr. Geoff Cumming	Director since 23 January 2009
Bruce Hancox	Director since 12 February 2014
Jeremy Delk	Director since 25 February 2014

**Review of Operations**

Medical Australia Limited is a medical technology company with activities across both the human and the animal health care markets.

In the human health care market the Company is engaged in the manufacture, distribution and sale of a broad range of medical devices used by acute and primary healthcare facilities in Australian and global markets. The Group focuses on three core clinical therapy areas within the broader medical devices market – medication delivery (intravenous (IV) systems); reuse prevention; and surgical and anaesthesia products.

Medical Australia manufactures for an international customer base comprising public and private hospitals, defence forces, non-government aid organisations and government departments and critical care services. In addition, the Group's expertise in medical device sourcing and outsourced manufacturing has resulted in significant Original Equipment Manufacturing (OEM) sales to major international medical device companies.

The Company has recently completed the acquisition of Medivet Pty Ltd, ("Medivet") which builds on its existing presence in the animal health market in the UK and Europe and now moves into being a global leader in stem cell regenerative medical treatments for animals (companion, equine and camels) as well as a range of pain management and performance enhancement products.

**(a) Financial Results**

The consolidated result for the six months to 31 December 2013 highlights revenues of \$5,287,171 (2012: \$4,786,335), headline growth up 10.5%, and gross margin of \$2,714,309 (2012: \$2,628,745).

The Group recorded a loss of \$137,482 for the half-year period (2012: loss of \$296,453).

Overheads for the period to December 2013 were \$47,983 lower than the period to December 2012. The area where the majority of cost savings were achieved was in employee benefits expenses where a reduction of \$270,454 over the prior period was achieved. There were also a number of abnormal items which impacted unfavourably on the result for the period. Such items included the Company incurring \$160,000 to settle a rent dispute with its previous landlord and another \$30,000 being incurred in office make-good costs and re-location. Direct costs incurred in the period in connection with the Medivet acquisition were \$24,000 whilst \$106,000 was expended in efforts to raise capital.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

**Directors' Report  
For the half-year ended 31 December 2013**

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The directors are confident that costs in the nature and quantum of those mentioned above, will not be repeated in the remaining six months of the full financial year, and that the overhead reduction measures initiated in the first half, will further support the underlying profitability of the business.

**(b) Operational Results**

Key achievements

- Finalisation of the acquisition of Medivet Pty Ltd
- A 10 to 1 share consolidation of the Company's shares
- Capital raising – involving experienced, healthcare sector investors
- Development of unique nebuliser for Medivet Pty Ltd for horse and camel applications
- Undertook an Operational Improvement Program which has substantially reduced the ongoing overheads of the business
- Paid down debt, positioning the Company for growth across both human and animal health markets
- Post-acquisition trading is earnings positive

The Group has continued to build on its relationship with key stakeholders including its critical suppliers of goods and services, OEM partners and government / institutional customers and most importantly our shareholders.

The Group remains focused on growing both the local and international markets and is pursuing aggressive growth strategies in order to increase its market share via the application of innovative product development and best practice supply chain management.

The Directors are committed to providing excellent quality products to its customers on a timely basis, however, only at acceptable gross margins.

**Events Subsequent to Balance Date**

There has not arisen in the interval between the end of the period and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

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

The lead auditor's independence declaration is set out on page 5 and forms part of the Directors' Report for the half-year ended 31 December 2013.

Signed in accordance with a resolution of the board of directors.



Gary Lewis  
Non-Executive Chairman  
Dated this 28<sup>th</sup> day of February 2014

### Chartered Accountants

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Level 42, Suncorp Place  
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Australia

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28 February 2014

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

Dear Directors

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

As lead audit partner for the review of the financial statements of Medical Australia Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours sincerely

GOULD RALPH ASSURANCE



STEPHEN FISHER B. ECON. , C.A.  
Partner

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**  
Condensed Consolidated Statement of  
Comprehensive Income

For the half-year ended 31 December 2013

	Notes	Consolidated	
		31 December 2013	31 December 2012
		\$	\$
Sale of goods		5,287,171	4,786,335
Cost of goods sold		(2,572,862)	(2,157,590)
<b>Gross profit</b>		<u>2,714,309</u>	<u>2,628,745</u>
Expenses:			
Administration and consultants		(520,963)	(445,653)
Advertising and marketing		(7,744)	(11,482)
Depreciation and amortisation		(93,447)	(98,062)
Employee benefits expenses		(1,269,249)	(1,539,703)
Occupancy costs		(434,857)	(234,159)
Other		(308,518)	(262,434)
Travel and accommodation		(147,198)	(238,466)
<b>(Loss) before interest and income tax</b>		<u>(67,667)</u>	<u>(201,214)</u>
Financial income		2,468	3,296
Financial expense		(97,230)	(69,442)
<b>Net financing (loss)</b>		<u>(94,762)</u>	<u>(66,146)</u>
<b>(Loss) before income tax</b>		(162,429)	(267,360)
Income tax benefit (expense)		24,947	(29,093)
<b>(Loss) for the period</b>	3	<u>(137,482)</u>	<u>(296,453)</u>
Non-controlling interest		(1,982)	-
<b>Net (loss) for the period after non-controlling interest</b>		<u>(139,464)</u>	<u>(296,453)</u>
<b>(Loss) for the period</b>	3	(137,482)	(296,453)
<b>Other comprehensive income after income tax</b>			
Exchange differences on translating foreign operation		(72,434)	(4,468)
<b>Total comprehensive (loss) for the period</b>		<u>(209,916)</u>	<u>(300,921)</u>
<b>Net profit (loss) attributable to</b>			
Owners of the parent entity		(139,464)	(296,453)
Non-controlling interest		1,982	-
		<u>(137,482)</u>	<u>(296,453)</u>



**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**  
Condensed Consolidated Statement of  
Comprehensive Income

For the half-year ended 31 December 2013

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<b>Total comprehensive income (loss) attributable to</b>		
Owners of the parent entity	(211,898)	(300,921)
Non-controlling interest	1,982	-
	<u>(200,916)</u>	<u>(300,921)</u>
Basic (loss) per share attributable to ordinary shareholders (cents per share)	<u>(0.26) cents</u>	<u>(0.65) cents</u>
Diluted (loss) per share attributable to ordinary shareholders (cents per share)	<u>(0.26) cents</u>	<u>(0.65) cents</u>

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Condensed Consolidated Statement of Financial  
Position

As at 31 December 2013

	Notes	Consolidated	
		31 December 2013	30 June 2013
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		2,746,298	129,134
Trade and other receivables		1,832,241	869,918
Inventories		1,735,337	985,373
Current tax assets		122,135	90,000
Other assets		251,858	248,911
<b>TOTAL CURRENT ASSETS</b>		<b>6,687,869</b>	<b>2,323,336</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		358,186	194,093
Investments		39,321	-
Intangible assets	4	5,672,944	3,987,645
<b>TOTAL NON-CURRENT ASSETS</b>		<b>6,070,451</b>	<b>4,181,738</b>
<b>TOTAL ASSETS</b>		<b>12,758,320</b>	<b>6,505,074</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		1,732,977	1,230,546
Income in advance		377,513	-
Borrowings	6	583,928	1,350,070
Provisions		487,961	296,772
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,182,379</b>	<b>2,877,388</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	6	344,678	-
Provisions		19,188	20,431
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>363,866</b>	<b>20,431</b>
<b>TOTAL LIABILITIES</b>		<b>3,546,245</b>	<b>2,897,819</b>
<b>NET ASSETS</b>		<b>9,212,075</b>	<b>3,607,255</b>
<b>EQUITY</b>			
Issued capital	5	24,676,311	18,476,311
Equity remuneration reserve		131,410	131,410
Foreign currency translation reserve		(102,633)	(30,199)
Accumulated losses		(15,109,731)	(14,970,267)
Parent interest		9,595,357	3,607,255
Non-controlling interest		(383,282)	-
<b>TOTAL EQUITY</b>		<b>9,212,075</b>	<b>3,607,255</b>

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2013

	Issued capital	Equity Remuneration Reserve	Foreign Currency Translation Reserve	Non- controlling Interest	Accumulated Losses	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2012</b>	18,476,311	131,410	2,561	-	(13,654,121)	4,956,161
(Loss) for the period	-	-	-	-	(296,453)	(296,453)
Other comprehensive income	-	-	(4,468)	-	-	(4,468)
Total comprehensive (loss)	-	-	(4,468)	-	(296,453)	(300,921)
<b>Balance at 31 December 2012</b>	18,476,311	131,410	(1,907)	-	(13,950,574)	4,655,240
<b>Balance at 1 July 2013</b>	18,476,311	131,410	(30,199)	-	(14,970,267)	3,607,255
(Loss) for the period	-	-	-	-	(139,464)	(139,464)
Other comprehensive income	-	-	(72,434)	-	-	(72,434)
Total comprehensive (loss)	-	-	(72,434)	-	(139,464)	(211,898)
Equity contributions	6,200,000	-	-	-	-	6,200,000
Non-controlling interest on acquisition	-	-	-	(383,282)	-	(383,282)
<b>Balance at 31 December 2013</b>	24,676,311	131,410	(102,633)	(383,282)	(15,109,731)	9,212,075

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Condensed Consolidated Statement of  
Cash Flows

For the half-year ended 31 December 2013

	<b>Consolidated</b>	
	<b>31 December 2013</b>	<b>31 December 2012</b>
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	4,945,716	4,752,967
Payments to suppliers and employees	(5,472,043)	(5,226,500)
Interest paid	(78,537)	(72,507)
Interest received	2,243	3,590
	(602,621)	(542,450)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment	(42,063)	(2,952)
Other (cash balance for acquired business)	142,360	-
	100,297	(2,952)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	4,000,000	-
Proceeds from borrowings	-	1,405,908
Repayments of borrowings	(880,512)	(1,125,381)
	3,119,488	280,527
Net (decrease) / increase in cash and cash equivalents	2,617,164	(264,875)
Cash and cash equivalents at the beginning of the period	129,134	578,221
<b>Cash and cash equivalents at the end of the period</b>	<b>2,746,298</b>	<b>313,346</b>

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the half-year financial statements

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

**Statement of compliance**

These general purpose consolidated financial statements for the interim half-year reporting period ended 31 December 2013 have been prepared in accordance with Accounting Standard AASB 134 “Interim Financial Reporting”, and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards.

The half-year financial report does not include all notes of the type normally included within the annual financial report, and therefore, cannot be expected to provide as full an understanding of the statement of comprehensive income, statement of financial position and financing and investing activities of the economic entity as a full financial report.

This half-year report should be read in conjunction with the Annual Financial Report of Medical Australia Limited for the year ended 30 June 2013 and any public announcements made by Medical Australia Limited and its controlled entities during the half-year ended 31 December 2013, in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

**Basis of Preparation**

The consolidated financial statements have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. All amounts are presented in Australian dollars, unless otherwise noted.

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2013.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group’s accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Group’s presentation of, or disclosure in, its half-year financial statements.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the half-year financial statements

**NOTE 2 - SEGMENT REPORTING**

The Group operates wholly within the human and animal health care industry in Australia, New Zealand, Asia, UK & USA.

Geographical segments 31 December 2013	Australia \$	New Zealand \$	Asia \$	United Kingdom \$	United States \$	Unallocated / Eliminations \$	Consolidated \$
<b>Revenue</b>							
External segment income	4,378,227	221,686	172,737	195,178	149,072	170,271	5,287,171
Interest income	-	-	-	-	-	-	2,468
							<u>5,289,639</u>
<b>Result</b>							
Segment result	34,909	1,768	1,377	(174,728)	(2,165)	1,358	<u>(137,482)</u>
<b>Net (loss)</b>	<u>34,909</u>	<u>1,768</u>	<u>1,377</u>	<u>(174,728)</u>	<u>(2,165)</u>	<u>1,358</u>	<u>(137,482)</u>
<b>Assets</b>							
Segment assets	16,905,011	-	-	163,082	507,277	(4,817,050)	<u>12,758,320</u>
Including non-current assets acquired during the period:							
Furniture & Fittings	131,722	-	-	-	89,959	-	221,681
Plant & Equipment	6,364	-	-	-	-	-	6,364
	<u>138,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>228,044</u>
<b>Segment liabilities</b>	<u>12,046,198</u>	<u>-</u>	<u>-</u>	<u>848,101</u>	<u>1,498,852</u>	<u>(10,846,906)</u>	<u>3,546,245</u>
Geographical segments 31 December 2012	Australia \$	New Zealand \$	Asia \$	United Kingdom \$	Unallocated / Eliminations \$	Consolidated \$	
<b>Revenue</b>							
External segment income	4,141,177	176,846	164,945	36,432	266,935	4,786,335	
Interest income	-	-	-	-	-	3,296	
						<u>4,789,631</u>	
<b>Result</b>							
Segment result	(256,495)	(10,953)	(10,216)	(2,256)	(16,533)	(296,453)	
<b>Net (loss)</b>	<u>(256,495)</u>	<u>(10,953)</u>	<u>(10,216)</u>	<u>(2,256)</u>	<u>(16,533)</u>	<u>(296,453)</u>	
<b>Assets</b>							
Segment assets	10,051,657	-	-	219,100	(2,720,460)	7,550,297	
Including non-current assets acquired during the period:							
Furniture & Fittings	1,484	-	-	-	-	1,484	
Plant & Equipment	1,673	-	-	8,091	-	9,764	
	<u>3,157</u>	<u>-</u>	<u>-</u>	<u>8,091</u>	<u>-</u>	<u>11,248</u>	
<b>Segment liabilities</b>	<u>11,747,799</u>	<u>-</u>	<u>-</u>	<u>489,643</u>	<u>(9,342,385)</u>	<u>2,895,057</u>	

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the half-year financial statements

**NOTE 2 – 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, 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 and anaesthesia products.

**NOTE 3 – RESULTS FOR THE PERIOD**

	<b>Consolidated</b>	
	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>\$</b>	<b>\$</b>
The following expense items are relevant in explaining the financial performance for the period:		
Due diligence costs	24,000	31,740
Capital raising costs	106,293	-
Investor relation costs	38,241	47,348
Legal fees relating to dispute with former supplier	-	6,627
	-	6,627

**NOTE 4 – INTANGIBLE ASSETS**

	<b>Consolidated</b>	
	<b>31 December 2013</b>	<b>30 June 2013</b>
	<b>\$</b>	<b>\$</b>
Goodwill – TUTA Healthcare	3,409,564	3,409,564
Goodwill on acquisition – Clements	400,000	400,000
Goodwill on acquisition – Medivet Pty Ltd	1,707,932	-
	5,517,496	3,809,564
Product Development Costs – Gross	359,179	359,179
Less: Accumulated amortisation	(203,731)	(181,098)
Product Development Costs - net	155,448	178,081
	5,672,944	3,987,645

The Group has adopted a policy of capitalising Product Development Costs related to specific projects, in accordance with AASB 138. Intangible asset costs are amortised on a straight line basis over the useful life of the product being 8 years. As at 31 December 2013, specific Product Development Costs capitalised as intangible assets had a carrying value of \$155,448 (30 June 2013: \$178,081).

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the half-year financial statements

**NOTE 5 – ISSUED CAPITAL**

	Consolidated			
	31 December 2013		31 December 2012	
Fully paid ordinary shares	Number	\$	Number	\$
Balance at the beginning of the half-year	453,925,832	18,476,311	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	-	-
Balance at the end of the half-year	<u>102,059,251</u>	<u>24,676,311</u>	<u>453,925,832</u>	<u>18,476,311</u>

Issued capital as at 31 December 2013 amounted to \$24,676,311 (102,059,251 ordinary shares).

**NOTE 6 – BORROWINGS**

	Consolidated	
	31 December 2013	30 June 2013
	\$	\$
<b>Current</b>		
Loans (i)	-	418,614
Debtor finance facility (ii)	488,860	931,456
Loan from Medivet Trading Company Limited	87,170	-
Hire Purchase	7,898	-
Total	<u>583,928</u>	<u>1,350,070</u>
<b>Non-current</b>		
Loan from Medivet Trading Company Limited	328,649	-
Loan from Vineyard Stem Cells Pty Ltd	2,376	-
Hire Purchase	13,653	-
Total	<u>344,678</u>	<u>-</u>

(i) On 3 August 2010, the Company entered into a loan agreement of \$1,000,000 with Pacific Device Pty Ltd. The loan was fully repaid on 20 December 2013.

(ii) During November 2012, the Company implemented a receivables financing facility with Moneytech Finance Pty Ltd which is secured by a charge over the Company and all controlled and associated entities. The facility is currently in the process of being paid out.



**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the half-year financial statements

**NOTE 7 – 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 US based companies, Medivet America LLC and Medivet Inc.

The acquisition has been accounted for using the acquisition method. The half year condensed consolidated financial statements include the results of Medivet Pty Ltd and its subsidiaries for the period between 10 December and 31 December 2013.

The fair values of identifiable assets and liabilities of Medivet Pty Ltd and its subsidiaries at the date of acquisition were:

	<b>Fair value recognised on acquisition</b>
	<b>\$</b>
<b>Assets</b>	
Property, plant and equipment	183,981
Cash and cash equivalents	110,142
Inventory	602,164
Debtors	583,645
Other receivables and prepayments	52,998
<b>Total Assets</b>	<b>1,532,930</b>
<b>Liabilities</b>	
Trade and other payables	(307,426)
Borrowings	(430,939)
Provisions and other liabilities	(687,760)
<b>Total liabilities</b>	<b>(1,426,125)</b>
Total identifiable net assets at fair value	106,805
Non-controlling interest	385,264
Goodwill arising on acquisition	1,707,931
<b>Purchase consideration transferred (i)</b>	<b>2,200,000</b>
	<b>\$</b>
Net cash acquired with the subsidiary (included in cash flows from investing activities)	110,142
Cash paid	-
<b>Net cash inflow</b>	<b>110,142</b>

The fair value of receivables amounts to \$583,645.

(i) The purchase consideration comprised of 36,666,667 fully paid ordinary shares in Medical Australia Limited

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

Notes to the half-year financial statements

**NOTE 7 – BUSINESS COMBINATIONS (Cont’d)**

From the date of acquisition to the end of the reporting period, Medivet and subsidiaries contributed revenue of \$218,614 and a profit of \$17,466 to the net loss before tax from the continuing operations of the Group. If the combination had taken place as at the beginning of the reporting period, revenue from continuing operations would have been \$2,159,850 higher and net loss for the period would have been \$97,832 higher.

The goodwill recognised is primarily attributed to synergies available to the new group and the quite considerable market potential represented by the US market. The goodwill is not deductible for income tax purposes. Transaction costs of \$24,000 have been expensed and are included in administration and consultants expense in the Statement of Profit or Loss and are part of operating cash flows in the statement of cash flows.

**NOTE 8 – DIVIDENDS**

No dividends have been declared or paid during the current period or the prior period.

**NOTE 9 – RELATED PARTIES**

In the reporting period, the sum of \$USD35,000 was paid to acquire a 10% shareholding in Equine Sports Science Institute LLC, (“ESSI”), a Kentucky USA based company involved in research & development on products used in the equine industry. ESSI is partly owned by former shareholders of Medivet. Included within the condensed consolidated statement of financial position, is an amount payable to Medivet Trading Company Limited, \$328,649 of which is classified as a non current liability and \$87,170 as a current liability. Medivet Trading Company Limited is a company controlled by former owners of Medivet. There were no transactions with this entity during the reporting period.

**NOTE 10 – 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
	31/12/13	31/12/12				
Private equity investment	10% shareholding in Equine Sports Science Institute LLC	N/A	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

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

**Notes to the half-year financial statements**

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**NOTE 10 – FINANCIAL INSTRUMENTS – (Cont'd)**

The carrying value of other financial assets and financial liabilities approximate, in the opinion of directors, the fair values of those financial assets and financial liabilities.

**NOTE 11 – EVENTS SUBSEQUENT TO BALANCE DATE**

There has not arisen in the interval between the end of the financial period and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

**MEDICAL AUSTRALIA LIMITED  
AND ITS CONTROLLED ENTITIES**

**D i r e c t o r s '   D e c l a r a t i o n**

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In the opinion of the Directors of Medical Australia Limited:

- (a) the financial statements and notes set out on pages 6 to 17, are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the financial half-year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including AASB 134 – Interim Financial Reporting), (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed at Sydney this 28<sup>th</sup> day of February 2014  
in accordance with a resolution of the Board of Directors:



**Gary Lewis**  
**Non-Executive Chairman**

### Chartered Accountants

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## INDEPENDENT REVIEW REPORT TO THE MEMBERS OF MEDICAL AUSTRALIA LIMITED

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Medical Australia Limited and its controlled entities, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### *Directors' Responsibility for the Half-Year Financial Report*

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

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with *the Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Medical Australia Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### *Matters Relating to Electronic Publication of the Reviewed Financial Report*

This review report relates to the financial report of Medical Australia Limited and its controlled entities for the half-year period ended 31 December 2013 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 review 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 reviewed financial report to confirm the information contained in this website version of the financial report.

### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

### *Conclusion*

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

GOULD RALPH ASSURANCE  
Chartered Accountants



STEPHEN FISHER B. ECON. , C.A.  
Partner  
Sydney

Dated this 28th day of February 2014