

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 2015

Compared to prior half-year period 31 December 2014

Results for announcement to the market

ENTITY RESULTS

	31 December 2015	31 December 2014	Change \$	Change %
Revenue from ordinary activities	8,050,890	7,593,618	457,272	6%
Profit/(Loss) from ordinary activities after tax attributable to members	(4,674,692)	419,976	(5,094,668)	(1213%)
Net profit/(loss) for the period attributable to members	(4,674,692)	419,976	(5,094,668)	(1213%)

DIVIDENDS

No interim dividend was declared for the period ended 31 December 2015.

EXPLANATION OF RESULTS

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

NET TANGIBLE ASSETS PER SECURITY

	31 December 2015	31 December 2014
Net Tangible Assets per ordinary share	2.12 cents	4.22 cents



MEDICAL AUSTRALIA LIMITED

A.B.N. 30 096 048 912

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2015

Lodged with the ASX under Listing Rule 4.2A.

This information should be read in conjunction with the 30 June 2015 Annual Report.

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

Corporate Directory

DIRECTORS

Mr Bruce Hancox (Chairman)
Mr Ian Mitchell
Dr Geoff Cumming
Mr Jeremy Delk (resigned 21 August 2015)

CHIEF EXECUTIVE OFFICER

Mr Darryl Ellis

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

PRINCIPAL OFFICE

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AUDITORS

Russell Bedford NSW
Level 29, Suncorp Place
259 George Street
SYDNEY NSW 2000
Phone: +61-2 9032 3000 Fax: +61-2 9251 1275

SOLICITORS

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

SHARE REGISTRY

RB Registries
Level 29, Suncorp Place
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**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 2015

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 2015, 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:

Bruce Hancox (Chairman)	Director since 12 February 2014
Ian Burnham Mitchell	Director since 6 November 2008
Dr. Geoff Cumming	Director since 23 January 2009
Jeremy Delk	Director from 25 February 2014 – resigned 21 August 2015

Review of Operations & Principal Activities

Medical Australia Limited is a medical technology company with activities solely focussed on the human healthcare market, having recently exited the animal health market which it also operated in over the last two years.

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.

In December 2013, the Company acquired Medivet Pty Ltd, which offered a broad range of animal health products including regenerative stem cell treatments, predominantly in Australia and the United States. Following a considerable investment of funds and management focus, a strategic review of the animal health business concluded that MLA did not have the necessary financial resources or expertise to continue this investment. Subsequent to an unsuccessful process to identify potential investors or acquirers, the Company's shares in Medivet America LLC were sold on 21 December 2015 to Delk Enterprises, an entity controlled by Jeremy Delk, the CEO of Medivet America.

(a) Financial Results

The consolidated result for the six months to 31 December 2015 highlights sales revenue of \$8,050,890 (2014: \$7,593,618), an increase of 6% over the prior period. Total Company revenue comprised human health revenue of \$6,518,181 an increase of 8% over the comparative period, and animal health revenue of \$1,532,709 a 2% decrease from the comparative period.

Gross profit in the reporting period was \$3,526,554 (2014: \$3,923,977) representing a margin of 43.8% (2014: 51.7%). The gross profit was comprised of continuing operations \$2,830,341 and discontinued operations \$696,213 (2014: continuing operations \$3,049,424 and discontinued operations \$874,553). The relative decline in the value of the Australian dollar to the US dollar over the last 12-18 months has

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

**Directors' Report
For the half-year ended 31 December 2015**

not translated to a similar decrease in % margin owing in part to reductions in logistics costs and lower costs of production passed on by our suppliers.

The Group recorded a loss for the reporting period of \$4,674,692 after non-controlling interest following the disposal of the animal health division (2014: profit of \$419,976). For the continuing operation, a profit of \$390,419 is reported (2014: \$897,938).

The Company's balance sheet remains strong with working capital of \$2,753,082 and no debt.

(b) Operational Results

The Group is refocused on the growth of the human health business. The Company continues to strengthen its position in the Australian market and in particular, the east coast. Sales growth has come from the expansion of key product ranges, the introduction of new products and improved sales force productivity.

The declining Australian dollar has put downward pressure on margins however this has only been partially offset through product innovation, operational improvement and supplier support. The management of working capital has shown continued improvement with tight management of both accounts payable and receivables as well as significant improvements in inventories whilst maintaining above industry average customer service levels.

In the short term the Company will continue to search for new product opportunities, especially in the area of infection control as well as opportunities to strengthen its off-shore presence. Directors and management reaffirm the Company's commitment to providing excellent quality products to its human health customers on a timely basis and at acceptable gross margins to the Company.

Events Subsequent to Balance Date

There are no events or transactions that have arisen in the interval between the end of the period and the date of this report of a material or 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**

**Directors' Report
For the half-year ended 31 December 2015**

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

The Lead Auditor's Independence Declaration is set out on page 6 and forms part of the Directors' Report for the half-year ended 31 December 2015.

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



Ian Mitchell
Director

Dated this 29th day of February 2016



Russell Bedford NSW

Chartered Accountants

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29 February 2016

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 2015, 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
Russell Bedford NSW
Chartered Accountants

A handwritten signature in blue ink, appearing to read 'Stephen Fisher'.

STEPHEN FISHER
Partner

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

Condensed Consolidated Statement of
Comprehensive Income
For the half-year ended 31 December 2015

Continuing Operations		Consolidated	
	Notes	31 December 2015	31 December 2014
			\$
Sale of goods	2	6,518,181	6,034,939
Cost of goods sold		(3,687,840)	(2,985,515)
Gross profit		<u>2,830,341</u>	<u>3,049,424</u>
Other Revenue		91,305	-
Expenses:			
Administration and consultants		(275,792)	(229,413)
Advertising and marketing		(30,357)	(5,692)
Depreciation and amortisation		(106,225)	(68,186)
Employee benefits expenses		(1,509,310)	(1,308,400)
Occupancy costs		(113,108)	(112,382)
Other		(308,655)	(268,675)
Travel and accommodation		(184,079)	(169,870)
Profit/(loss) before interest and income tax		<u>394,121</u>	<u>886,804</u>
Financial income		610	17,539
Financial expense		(4,311)	(6,405)
Net financing income/(loss)		<u>(3,701)</u>	<u>11,134</u>
Profit before income tax		390,419	897,938
Income tax (expense) benefit		-	-
Profit for the period from continuing operations	3	<u>390,419</u>	<u>897,938</u>
(Loss) from discontinued operations	6	(5,476,125)	(616,251)
Profit/(Loss) for the period		<u>(5,085,706)</u>	<u>281,687</u>
Other comprehensive income after income tax			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operation		-	244,012
Items that have been reclassified to profit or loss as specific conditions met:			
Exchange differences on translating foreign operation		3,466	-
Total comprehensive income/(loss) for the period		<u>(5,082,240)</u>	<u>37,675</u>
Net profit/(loss) attributable to			
Owners of the parent entity		(4,674,692)	419,976

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

Condensed Consolidated Statement of
Comprehensive Income
For the half-year ended 31 December 2015

Non-controlling interest	(411,014)	(138,289)
	(5,085,706)	281,687
Total comprehensive income/ (loss) attributable to		
Owners of the parent entity	(4,671,226)	266,167
Non-controlling interest	(411,014)	(228,492)
	(5,082,240)	37,675
Earnings per share		
From continuing and discontinued operations:		
Basic profit/(loss) per share (cents per share)	(3.72 cents)	0.39 cents
Diluted profit/(loss) per share (cents per share)	(3.72 cents)	0.39 cents
From continuing operations:		
Basic profit/(loss) per share (cents per share)	0.28 cents	0.84 cents
Diluted profit/(loss) per share (cents per share)	0.28 cents	0.84 cents

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

Condensed Consolidated Statement of Financial
Position
As at 31 December 2015

		December 2015	Consolidated June 2015
	Notes	\$	\$
CURRENT ASSETS			
Cash and cash equivalents		352,677	933,312
Trade and other receivables		1,777,465	1,798,456
Inventories		1,765,816	2,721,680
Current tax receivables		9,137	60,587
Other assets		234,399	548,290
TOTAL CURRENT ASSETS		4,139,494	6,062,325
NON-CURRENT ASSETS			
Property, plant and equipment		203,913	322,026
Investment		-	78,947
Intangible assets	4	3,873,559	6,022,710
TOTAL NON-CURRENT ASSETS		4,077,472	6,423,683
TOTAL ASSETS		8,216,966	12,486,008
CURRENT LIABILITIES			
Trade and other payables		1,120,828	1,813,227
Income tax payables		-	2,276
Provisions		265,584	234,549
TOTAL CURRENT LIABILITIES		1,386,412	2,050,052
NON-CURRENT LIABILITIES			
Trade and other payables		-	2,376
Provisions		51,546	84,873
TOTAL NON-CURRENT LIABILITIES		51,546	87,249
TOTAL LIABILITIES		1,437,958	2,137,301
NET ASSETS		6,779,008	10,348,707
EQUITY			
Issued capital	5	26,753,918	26,753,918
Equity remuneration reserve		146,370	146,370
Non-controlling Interest		-	(1,101,527)
Foreign Currency translation reserve		(170,051)	(368,149)
Accumulated losses		(19,951,229)	(15,081,905)
TOTAL EQUITY		6,779,008	10,348,707

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

Condensed Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2015

	Issued capital	Equity Remuneration Reserve	Foreign Currency Translation Reserve	Non- controlling Interest	Accumulated Losses	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2014	24,676,311	137,020	(53,297)	(487,410)	(14,865,026)	9,407,598
Profit for the period	-	-	-	(138,289)	419,976	281,687
Other comprehensive income	-	-	(153,809)	(90,203)	-	(244,012)
Total comprehensive profit			(153,809)	(228,492)	419,976	37,675
Equity contributions	2,077,607	9,350	-	-	-	2,086,957
Non-controlling interest on acquisition						
Balance at 31 December 2014	26,753,918	146,370	(207,106)	(715,902)	(14,445,050)	11,532,230
Balance at 1 July 2015	26,753,918	146,370	(368,149)	(1,101,527)	(15,081,905)	10,348,707
(Loss) for the period	-	-	-	(411,014)	(4,674,692)	(5,085,706)
Other comprehensive income	-	-	3,466	-	-	3,466
Total comprehensive profit/(loss)	-	-	3,466	(411,014)	(4,674,692)	(5,082,240)
Derecognition of non-controlling interest upon disposal of discontinued operations	-	-	-	1,512,541	-	1,512,541
Reclassification to profit or loss upon disposal of discontinued operations	-	-	194,632	-	(194,632)	-
Balance at 31 December 2015	26,753,918	146,370	(170,051)	-	(19,951,229)	6,779,008

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

Condensed Consolidated Statement of
Cash Flows
For the half-year ended 31 December 2015

	Consolidated	
	31 December 2015	31 December 2014
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	7,738,989	7,640,017
Payments to suppliers and employees	(8,118,454)	(8,246,860)
Interest received	-	7,715
Income tax refund	26,412	-
	(353,053)	(599,128)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(147,194)	(75,907)
Payments for intangibles	(125,825)	(68,809)
Proceeds from sale of business	72,000	-
Other (cash balance for business sold)	(33,074)	-
	(234,093)	(144,716)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	2,077,607
	-	2,077,607
Net increase in cash and cash equivalents	(587,146)	1,333,763
Cash and cash equivalents at the beginning of the period	933,312	1,757,258
Net foreign exchange differences from translation of cash and cash equivalents	6,511	(1,310)
	352,677	3,089,711
Cash and cash equivalents at the end of the period	352,677	3,089,711

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the half-year financial statements

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These general purpose consolidated financial statements for the interim half-year reporting period ended 31 December 2015 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 operating, 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 2015 and any public announcements made by Medical Australia Limited and its controlled entities during the half-year ended 31 December 2015, 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 2015.

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

Business unit segments 31 December 2015	Human Health \$	Animal Health \$	Elimination \$	Consolidated \$
Revenue				
External segment income	6,518,181	1,532,709	-	8,050,890
Interest income	610	1,921	-	2,531
Other revenue	91,305	48,970	-	140,275
	<u>6,610,096</u>	<u>1,583,600</u>		<u>8,193,696</u>
Less: Revenue from discontinued operations	-	(1,583,600)	-	(1,583,600)
Revenue from continuing operations	<u>6,610,096</u>	<u>-</u>	<u>-</u>	<u>6,610,096</u>
Interest expense	4,311	-	-	4,311
Depreciation expense	106,225	19,975	-	126,200
Result				
Segment result	390,419	(2,782,879)	(2,693,246)	(5,085,706)
Net profit/(loss)	<u>390,419</u>	<u>(2,782,879)</u>	<u>(2,693,246)</u>	<u>(5,085,706)</u>
Add: Net loss from discontinued operations	-	2,782,879	2,693,246	5,476,125
Net profit from continuing operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>390,419</u>
Assets				
Segment assets	<u>8,181,993</u>	<u>841,885</u>	<u>(806,910)</u>	<u>8,216,966</u>
Including non-current assets acquired during the period:				
Warehouse Equipment	108,266	-	-	108,266
Furniture & Fittings	15,568	-	-	15,568
Plant & Equipment	6,931	-	-	6,931
Computer Software	16,429	-	-	16,429
Intangible Assets	-	125,825	(125,825)	-
	<u>147,194</u>	<u>125,825</u>	<u>(125,825)</u>	<u>147,194</u>
Segment liabilities	<u>1,437,958</u>	<u>-</u>	<u>-</u>	<u>1,437,958</u>

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the half-year financial statements

NOTE 2 - SEGMENT REPORTING (Cont'd)

Business unit segments 31 December 2014	Human Health \$	Animal Health \$	Elimination \$	Consolidated \$
Revenue				
External segment income	6,034,938	1,558,680	-	7,593,618
Interest income	17,539	-	-	17,539
	6,052,477	1,558,680	-	7,611,157
Less: Revenue from discontinued operations	-	(1,558,680)	-	(1,558,680)
Revenue from continuing operations	6,052,477	-	-	6,052,477
Interest expense	6,405	654	-	7,059
Depreciation expense	68,186	23,146	-	91,332
Tax expense	-	963	-	963
Result				
Segment result	897,938	(616,251)	-	281,687
Net profit/(loss)	897,938	(616,251)	-	281,687
Add: Net loss from discontinued operations	-	616,251	-	616,251
Net profit from continuing operations	897,938	-	-	897,938
Assets				
Segment assets	14,153,587	1,079,009	(1,388,216)	13,844,380
Including non-current assets acquired during the period:				
Warehouse Equipment	26,023	-	-	26,023
Furniture & Fittings	43,392	-	-	43,392
Plant & Equipment	6,490	-	-	6,490
Intangible Assets	-	68,809	-	68,809
	75,905	68,809	-	144,714
Segment liabilities	1,617,334	1,695,124	(1,000,308)	2,312,150

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the half-year financial statements

NOTE 2 - SEGMENT REPORTING (Cont'd)

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

Geographical segments 31 December 2015	Australia	Asia	United States	United Kingdom	Unallocated/ Elimination	Consolidated
	\$	\$	\$	\$	\$	\$
Revenue						
External segment income	5,758,093	269,247	1,426,842	201,109	395,599	8,050,890
Interest income	2,531	-	-	-	-	2,531
Other revenue	140,275	-	-	-	-	140,275
	<u>5,760,624</u>	<u>269,247</u>	<u>1,426,842</u>	<u>201,109</u>	<u>359,599</u>	<u>8,193,696</u>
Less: Revenue from discontinued operations						(1,583,600)
Revenue from continuing operations						<u>6,610,096</u>
Result						
Segment result	(471,000)	40,061	(2,692,075)	(56,904)	(1,905,788)	(5,085,706)
Net profit/(loss)	<u>(471,000)</u>	<u>40,061</u>	<u>(2,692,075)</u>	<u>(56,904)</u>	<u>(1,905,788)</u>	<u>(5,085,706)</u>
Add: Net loss from discontinued operations						5,476,125
Net profit from continuing operations						<u>390,419</u>
Assets						
Segment assets	<u>14,766,003</u>	<u>-</u>	<u>-</u>	<u>107,531</u>	<u>(6,656,568)</u>	<u>8,216,966</u>
Including non-current assets acquired during the period:						
Warehouse Equipment	108,266	-	-	-	-	108,266
Furniture & Fittings	15,568	-	-	-	-	15,568
Plant & Equipment	6,931	-	-	-	-	6,931
Computer Software	16,429	-	-	-	-	16,429
Intangible Assets	-	-	125,825	-	(125,825)	-
	<u>39,558</u>	<u>107,636</u>	<u>125,825</u>	<u>-</u>	<u>(125,825)</u>	<u>147,194</u>
Segment liabilities	<u>12,841,855</u>	<u>-</u>	<u>-</u>	<u>1,067,684</u>	<u>(12,471,581)</u>	<u>1,437,958</u>

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the half-year financial statements

NOTE 2 - SEGMENT REPORTING (Cont'd)

Geographical segments 31 December 2014	Australia \$	Asia \$	United States \$	United Kingdom \$	Unallocated/ Elimination \$	Consolidated \$
Revenue						
External segment income	5,336,854	288,831	1,244,121	170,067	553,745	7,593,618
Interest income	17,539	-	-	-	-	17,539
	<u>5,354,393</u>	<u>288,831</u>	<u>1,244,121</u>	<u>170,067</u>	<u>553,745</u>	<u>7,611,157</u>
Less: Revenue from discontinued operations						(1,558,680)
Revenue from continuing operations						<u>6,052,477</u>
Result						
Segment result	556,732	30,131	(335,556)	(27,387)	57,767	281,687
Net profit/(loss)	<u>556,732</u>	<u>30,131</u>	<u>(335,556)</u>	<u>(27,387)</u>	<u>57,767</u>	<u>281,687</u>
Add: Net loss from discontinued operations						616,251
Net profit from continuing operations						<u>897,938</u>
Assets						
Segment assets	<u>14,946,745</u>	<u>-</u>	<u>838,497</u>	<u>207,005</u>	<u>(2,147,867)</u>	<u>13,844,380</u>
Including non-current assets acquired during the period:						
Warehouse Equipment	26,023	-	-	-	-	26,023
Furniture & Fittings	43,392	-	-	-	-	43,392
Plant & Equipment	6,490	-	-	-	-	6,490
Intangible Assets	-	-	68,809	-	-	68,809
	<u>75,905</u>	<u>-</u>	<u>68,809</u>	<u>-</u>	<u>-</u>	<u>144,714</u>
Segment liabilities	<u>307,568</u>	<u>-</u>	<u>2,623,703</u>	<u>1,040,839</u>	<u>(1,659,960)</u>	<u>2,312,150</u>

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.

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the half-year financial statements

NOTE 3 – RESULTS FOR THE PERIOD

	Consolidated	
	31 December 2015	31 December 2014
	\$	\$
The following expense items are relevant in explaining the financial performance for the period:		
Consultants	142,896	100,514
Insurance	78,765	71,166
Regulatory registration	46,265	31,401
Corporate advisor	43,161	8,536
	3,809,564	5,591,168

NOTE 4 – INTANGIBLE ASSETS

	31 December 2015	30 June 2015
	\$	\$
Goodwill – TUTA Healthcare	3,409,564	3,409,564
Goodwill on acquisition – Clements	400,000	400,000
Goodwill on acquisition – Medivet Pty Ltd	-	1,781,604
	3,809,564	5,591,168
Product Development Costs – Gross	359,178	704,962
Less: Accumulated amortisation	(295,183)	(273,420)
Product Development Costs – net	63,995	431,542
	3,873,559	6,022,710

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, that period currently assessed at 8 years. As at 31 December 2015, specific Product Development Costs capitalised as intangible assets had a carrying value of \$63,995 (30 June 2015: \$431,542).

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the half-year financial statements

NOTE 5 – ISSUED CAPITAL

Fully paid ordinary shares	Consolidated			
	31 December 2015		31 December 2014	
	Number	\$	Number	\$
Balance at the beginning of the half-year	136,766,031	26,753,918	102,059,251	24,676,311
Shares issued in consideration of services performed in December 2013 at nil consideration	-	-	50,000	-
Shares issued to ex-employee in December 2013 at nil consideration	-	-	30,000	-
Fully paid ordinary shares issued in November 2014 at \$0.06 per share following non-renounceable rights issue	-	-	34,626,780	2,077,607
Balance at the end of the half-year	<u>136,766,031</u>	<u>26,753,918</u>	<u>136,766,031</u>	<u>26,753,918</u>

Issued capital as at 31 December 2015 amounted to \$26,753,918 (136,766,031 ordinary fully paid shares).

NOTE 6 – DISCONTINUED OPERATIONS

On 23 June 2015 the Company announced its intention to explore options to divest or dilute its holdings in its animal health business. The assets and liabilities of the animal health business were not classified as held for sale at the Company's last reporting date as certain conditions specified by AASB5 were not met.

The Company announced on 22 December 2015 that it had sold its 60.5% interest in Medivet America LLC and as a consequence of this, the assets and liabilities of Medivet America LLC are no longer included in the Group's Consolidated Statement of Financial Position. The results of the animal health business up to the date of disposal on 21 December 2015 and associated net loss on disposal of that business are disclosed separately in the current period in the Statement of Comprehensive Income as net loss from discontinued operations. The assets and liabilities disposed of consist of cash, debtors, inventory, trade payables, intercompany provisions and various other provisions. The revenue, results and assets of the discontinued animal health business are presented in Note 2, Segment Reporting – Animal Health. The Geographic Segment of United States is entirely a discontinued operation whilst minor amounts of the discontinued operation are contained within the Australian segment. The Financial information relating to the discontinued operation for the period to the date of disposal is set out below:

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the half-year financial statements

NOTE 6 – DISCONTINUED OPERATIONS – (cont)	21 December 2015	31 December 2014
	\$	\$
Revenue	1,583,600	1,558,680
Expenses	(4,366,479)	(2,174,931)
(Loss) before income tax	(2,782,879)	(616,251)
Income tax expense	-	-
(Loss) after income tax of discontinued operations	(2,782,879)	(616,251)
Loss on disposal of the discontinued operations after tax	(2,693,246)	-
(Loss) from discontinued operations	(5,476,125)	(616,251)

Details of the disposal of the discontinued operations	21 December 2015
	\$
Consideration received	72,000
Total disposal consideration	72,000
Carrying amount of net assets sold	(4,082,755)
Derecognition of minority interest	1,512,141
Loss on disposal before income tax and reclassification of foreign currency translation reserve	(2,498,614)
Reclassification of foreign currency translation reserve	(194,632)
Loss on disposal of discontinued operation	(2,693,246)

Net Assets Disposed	21 December 2015
	\$
Cash and cash equivalents	34,897
Trade and other receivables	393,918
Inventory	172,413
Property, plant & equipment	234,790
Total assets	836,018
Trade and other payables	935,002
Intercompany payables	3,983,771
Total liabilities	4,918,773
Net assets	(4,082,755)

**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

Notes to the half-year financial statements

NOTE 7 – DIVIDENDS

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

NOTE 8 – RELATED PARTIES

Medivet America LLC has a commercial rental agreement with an entity controlled by former Director Mr. Delk covering office premises. The amount paid in the reporting period and included in the Condensed Consolidated Statement of Comprehensive Income under net loss from discontinued operations was \$45,002. At reporting date there were no amounts due to Mr. Delk.

NOTE 9 – 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 Dec 15	30 Jun 15				
Private equity investment - Medivet Lexington	Nil	\$78,947	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 investment in Medivet Lexington was disposed of during the period.

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

NOTE 10 – EVENTS SUBSEQUENT TO BALANCE DATE

There are no other events or transactions which have arisen in the interval between the end of the financial period and the date of this report, of a material or 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.

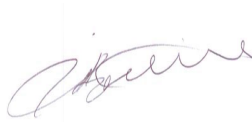
**MEDICAL AUSTRALIA LIMITED
AND ITS CONTROLLED ENTITIES**

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

In the opinion of the Directors of Medical Australia Limited:

- (a) the financial statements and notes set out on pages 7 to 20, 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 2015 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 29th day of February 2016
in accordance with a resolution of the Board of Directors:



Ian Mitchell
Director



Russell Bedford
NSW
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 condensed consolidated statement of financial position as at 31 December 2015, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed 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 2015 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 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 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 2015 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*.

Russell Bedford NSW
Chartered Accountants



STEPHEN FISHER
Partner

Dated this 29th day of February 2016