



Full-Year Report 2017

Financial Year Ended 30 June 2017

(Previous corresponding period:
financial year ended 30 June 2016)

The background of the report cover is a blue-tinted photograph of a hospital's emergency entrance. The word "EMERGENCY" is visible in white capital letters on a dark blue sign above the entrance. The image is blurred to convey a sense of motion and urgency. In the foreground, there is a large, semi-transparent graphic of a world map composed of small white squares, overlaid on the blue background.

EMERGENCY



Delivering emergency medical
solutions dedicated to
improving patient outcomes



Medical
Developments
International

Full-Year Report 2017

Financial Year Ended 30 June 2017

(Previous corresponding period:
financial year ended 30 June 2016)



Chairman's and CEO's Report



Full-year Results

REVENUE
(GROSS) UP

22%

NET PROFIT
AFTER TAX UP

16%

EUROPEAN
PENTHROX®
REVENUE UP

53%

GLOBAL
RESPIRATORY DEVICE
SALES (GROSS) UP

50%

Positioned for global success

Medical Developments International Limited. (ASX: MVP) delivered **22% growth** in Gross Revenue to \$18.91m and **16% growth** in Net Profit after Tax of \$1.82 million for the year ended 30 June 2017.

MVP has declared a fully franked full year dividend of 2 cents per share.

We expect a significant uplift in revenues in the short to medium term as new country registrations for Penthrox® and the new channels of distribution for respiratory products translate into sales.

The financial result represents

-  22% growth in gross revenue to a record \$18.91m
-  16% growth in Net Profit after Tax of \$1.82m
-  353% growth in gross Respiratory Device sales (USA)
-  182% growth in gross Breath-A-Tech® Respiratory Device sales
-  56% growth in gross Australian Respiratory Device sales
-  50% growth in gross Global Respiratory Device sales
-  593% growth in Penthrox® revenue (New Zealand)
-  53% growth in Penthrox® revenue (Europe)
-  41% growth in Vet Device sales

The future of MVP

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

Over the next 12 months we expect to:

- Have Pentrox® approved for sale in more than 37 countries around the world;
- Begin production in our manufacturing facility;
- Conclude additional distribution partnerships for Pentrox® and Respiratory Devices for new countries;
- Advance work on producing new manufacturing technologies for small molecule pharmaceuticals; and
- Continue our clinical program focussed on:
 - gathering the clinical data needed to open an IND and submit a 'New Drug Application' to the Food & Drug Administration in the USA; and
 - extending the indication for use of Pentrox® globally.

Over the next few years our global market approvals and 'indication extensions' are expected to deliver strong growth for our company. We are targeting new market approvals in 22 European countries over the next 6 months and 37 new countries in total over the next 12 months. In addition, we expect to have completed our pre-clinical work and opened our IND in the USA. Our planned launches for Pentrox® are detailed below.

Our initiative to develop new production technologies is progressing as well as we could have hoped for and we have identified three potential products so far which we think will deliver value to shareholders.

We have an increasing portfolio of submitted Patent Applications protecting Pentrox® and our manufacturing technology which, of itself, should revolutionise the way we make Pentrox® in the future.

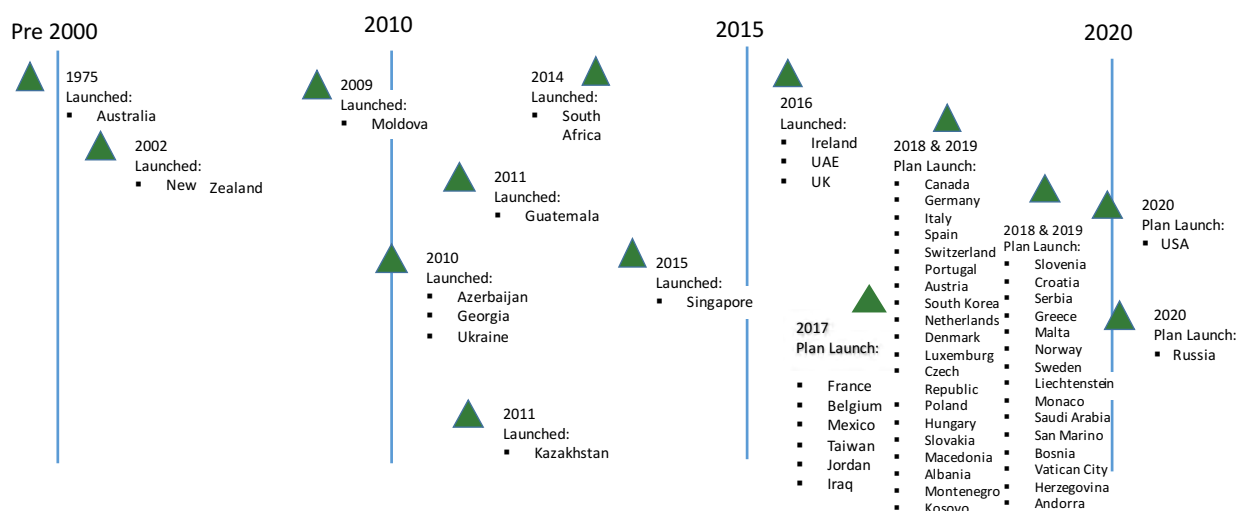
Our work to get Pentrox® approved for sale in the USA is progressing on schedule. Our clinical program has begun and we had an excellent meeting with the FDA in May, which has given us renewed confidence. In our view, Pentrox® has the capability to be a significant 'non opioid' analgesic across the USA.

Our portfolio of respiratory devices is growing and we are delivering good sales growth. The opportunities across the world for our respiratory devices, and especially in the USA in the shorter term, are significant. We are well on the way to delivering on these expectations.

We look forward to reporting our progress and successes.

"These results are ahead of the significant growth in new country registrations expected in the short term and US market penetration of our respiratory products."

Pentrox® launch and planned launch milestones



Key Achievements for FY17

Penthrox®

- First sales of Penthrox® in France and Belgium
- Second shipment of Penthrox® sold into France, UK and Ireland
- National Reimbursement of Penthrox® in France
- Progress towards regulatory approval for Penthrox® in 22 European countries
- Regulatory approval in the UAE
- Regulatory approval and first sales in Taiwan
- Distribution deal signed with Purdue Pharma in Canada
- Distribution deal signed with BL&H Co Ltd Corporation in Korea
- Distribution deal signed with Lancet in Russia
- Received upfront payments from Korea and Canada
- Registration underway for Penthrox® to be approved in Canada
- Two new Global Patent Applications for Penthrox® Inhalers
- Enrolled first patient in Penthrox® Post Authorisation Safety Study in Europe
- Launched Paediatric trial in the United Kingdom and Ireland
- Commenced pre-clinical and clinical work for FDA approval
- Commenced pre-clinical and clinical work for Penthrox® indication extensions
- Regulatory submissions ongoing in Saudi Arabia, Hong Kong, Mexico, South Korea, Iraq and Jordan
- Further regulatory submissions expected for another 20+ countries in the next 12 months

Respiratory Medical Devices

- Achieved reimbursement status from insurance companies across the USA
- Launched Space Chamber Plus® range into circa 11,000 pharmacies in the USA
- 353% growth in gross Respiratory Device revenue (USA)
- Global sales growth of 50% (gross)
- Record sales and continued growth for Australia's number 1 brand: Breath-A-Tech®
- Sales growth of 32% in UK and Europe
- Sales growth of 23% in New Zealand
- Patent Application for new respiratory device
- Launch of six new respiratory products

Other

- **Construction of Global Pentrox® Manufacturing Facility in Scoresby completed on time and on budget**
- **Improvement in manufacturing costs and efficiency**
- **Debt free**
- **Received R&D Tax Incentive concession of \$245,000**
- **Signed deal with the CSIRO to develop new manufacturing technologies**
- **Continued investment in clinical development programs and trials**
- **MVP has 9 Patent and Patent applications**
- **MVP has Trademarks in over 30 countries**
- **Ongoing fully franked interim and full year dividends**

Penthrox® Developments

Penthrox® was launched in the French and Belgium markets in February 2017 and feedback from these markets is very positive. These launches were milestone events and in preparation for the launches, MVP received and delivered its largest ever single order for Penthrox®. Since launch, MVP has delivered its second order for the French market.

In the **UK and Ireland**, our distributor is making good progress and in June 2017, MVP supplied its second order post launch in the UK and Ireland. Galen continue to grow Penthrox® sales into hospitals in the UK and Ireland.

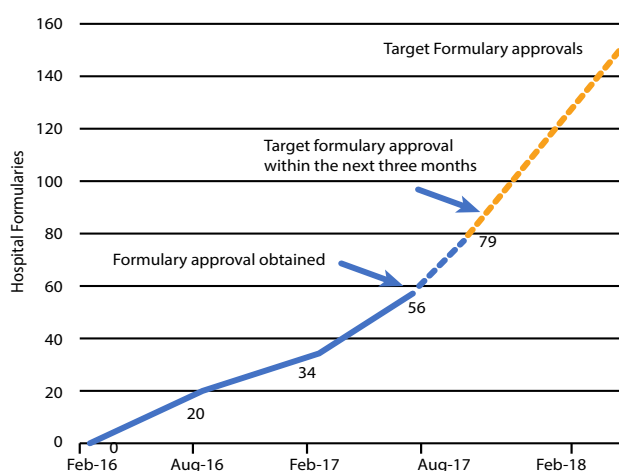
56 hospitals have now approved Penthrox® into formulary listing and are using the product. These include six of the eleven Major Trauma Centres in the UK and we expect another to approve the use of Penthrox® in the coming months.

The guidelines for the use of Penthrox® in Ambulance services throughout Ireland were approved by PHECC in May. Penthrox® is available for use in all Ambulance Services in Ireland and will be rolled out across the country once training of Emergency Medical Technicians, Paramedics and Advanced Paramedics is completed which is expected before the end of the year.

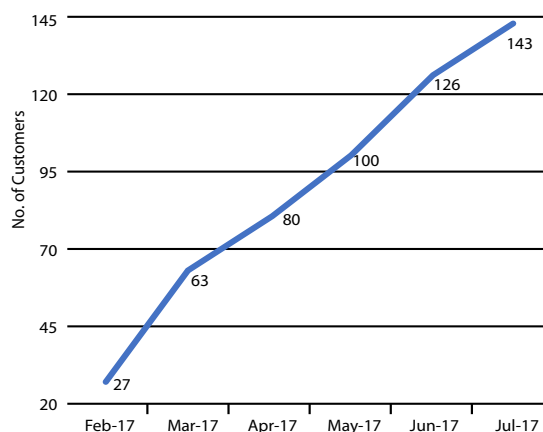
The Joint Royal College Ambulance Liaison Committee ('JRCALC') is expected to issue updated pain management guidelines by October. Penthrox® is expected to be listed in these guidelines for all ambulance services. Our distributor has advised us that four Ambulance Trusts are already actively engaging in protocol assessments for the use of Penthrox® in anticipation of the guideline listing for Penthrox®.

Our target is to achieve formulary approval in 160 hospitals. It is estimated that 60% of trauma cases in the UK are seen by the top 30% of hospitals. The below tables highlight our progress.

Penthrox® UK and Ireland formulary approval



Penthrox® French Customers



Penthrox® is making excellent **progress in France**. In market sales and formulary approvals are growing at a much quicker rate than the UK, where the formulary approval process is long and arduous. We summarise the progress our partner is making in France as follows:

- They are targeting formulary approval in 350 hospitals
- They have already submitted **250 formulary applications**
- They have achieved **99 formulary approvals in France**
- They have 21 rejected formulary applications
- 143 hospitals have ordered Penthrox® in France
- About 50% of customers who have ordered Penthrox® have already re-ordered

We are confident Penthrox® will be a very significant drug in France and more importantly, we are confident our partners in Europe are well placed to deliver aggressive sales growth over the coming years.

In November 2016 MVP's European Partner submitted an application to the United Kingdom's Medicines & Healthcare products Regulatory Agency (MHRA) under the Decentralised Procedure to have Penthrox® approved for sale in Germany, Italy, Spain, Sweden, Switzerland, Finland, Austria, Denmark, Poland, Portugal, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Latvia, Lithuania, Luxemburg, Romania, Slovakia and Slovenia. We are currently **ahead of our target dates** and have responded in full to the questions raised by the regulatory agencies as part of the day 105 'stop clock'. We do not expect any further issues to be raised from here and the approval and

closure of the decentralised procedure is expected before the end of calendar year 2017. National approvals for the sale of Penthrox® will follow for each country and sales are expected to commence during H2 FY18.

In addition, 'National Regulatory Applications' are expected to be filed with the relevant agencies in the Netherlands, Greece, Macedonia, Serbia, Albania, Liechtenstein, Montenegro, Kosovo, San Marino, Vatican City, Bosnia and Herzegovina, Andorra and Monaco in due course. Approvals to sell Penthrox® in these countries are expected during FY18 and beyond.

Elsewhere in the world our regulatory submissions to Mexico, Iran, Hong Kong, Saudi Arabia, Iraq, Jordan and Korea are progressing.

In all, MVP is working towards approvals to sell Penthrox® in **another 37 countries over the next 12 to 18 months**.

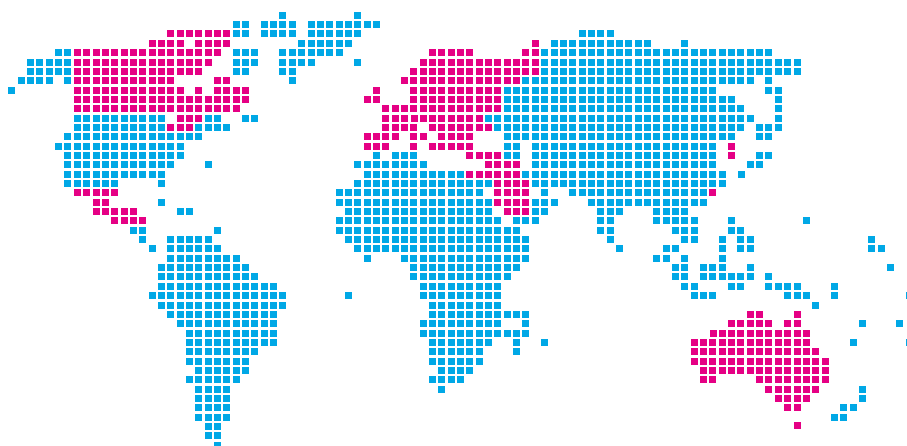
MVP finalised licensing and distribution deals in Korea and Canada during the half year and received milestone payments. A new licensing and distribution deal was also signed in Russia in April 2017.

Penthrox® sales to New Zealand **grew 593%** stemming from the decision during the year by New Zealand's leading provider of Ambulance Services, St John Ambulance, to change their clinical practice and guidelines such that "Entonox (Nitrous Oxide) was discontinued with Penthrox® the sole inhaled analgesic administered".

Penthrox® was approved for sale by the Food and Drug Administration in Taiwan and we made our first sale into Taiwan in March 2017.

Table 2

Expected approvals for Penthrox® over the next 12 to 18 months



Czech Republic	Portugal
Poland	Spain
Slovakia	Saudi Arabia
Macedonia	Hong Kong
Albania	Jordan
Montenegro	Iraq
Kosovo	Canada
Slovenia	Austria
Croatia	South Korea
Serbia	Netherlands
Greece	Denmark
Malta	Luxemburg
Norway	Liechtenstein
Andorra	Monaco
Italy	San Marino
Germany	Bosnia
Sweden	Vatican City
Switzerland	Herzegovina
Mexico	

■ Expected approvals for Penthrox® over the next 12 to 18 months



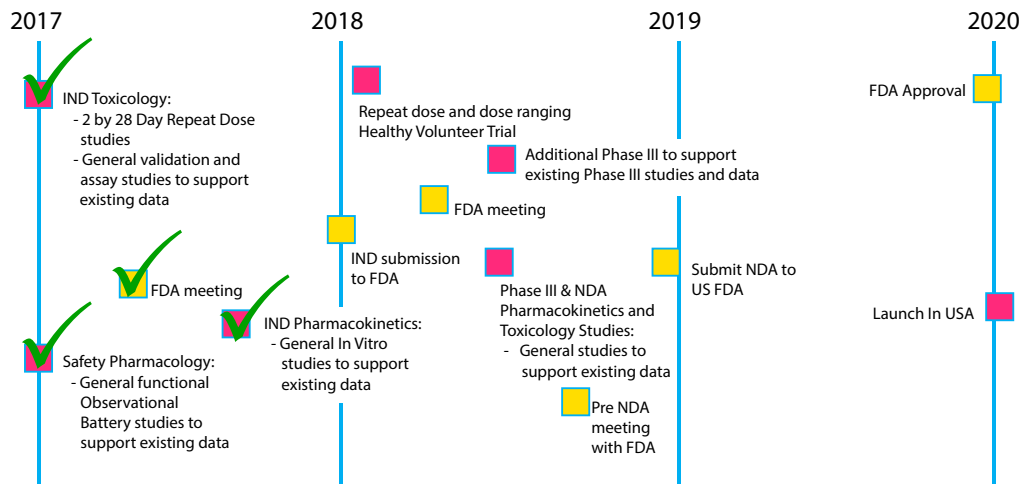
United States of America

Recent developments in the USA around opioid addiction and abuse make the clinical need and market opportunity for Pentrox® very attractive. Given the public and legislative bias expressed by the USA government and its Food Drug Administration (FDA) against the use of opioids, Pentrox® as a non-opioid / non-narcotic, fast acting, safe, easy to

serious conditions and fill an unmet medical need in the USA. The purpose is to get important new drugs to the patient earlier. After our meeting at the FDA we are of the view that a Fast Track application to get Pentrox® approved in the USA is appropriate.

The program of work and timeframes (excluding any Fast Track) is illustrated below:

Penthrox® clinical program for USA



use, store and administer acute pain drug offers an attractive alternative.

In May 2017, MVP met with the FDA to discuss and confirm our proposed regulatory program designed to have Pentrox® approved for sale in the USA. That meeting was very positive and MVP now has a clear understanding of the support and requirements the FDA has in terms of approving Pentrox® for sale in the USA. MVP is proceeding with its development program comprising a number of clinical and non-clinical studies. The clinical and non-clinical work in several cases repeats work done and we are confident the data collected will reconfirm what we already know and what has already been accepted previously by various regulators in Europe and elsewhere in the world.

We estimate the work needed to submit a New Drug Application (NDA) in the USA will be completed within two and a half years, at a cost of \$US15 million.

Most importantly, we expect to submit our application to have our Investigational New Drug applications accepted early in calendar year 2018.

We are also planning to submit a 'Fast Track' application to the FDA at the time of our IND submission. The 'Fast Track' application is a process designed to facilitate the development, and expedite the review of drugs to treat

Respiratory Developments

Our respiratory device business continues to grow strongly. Overall gross revenue from respiratory devices grew 50%.

Sales of respiratory devices in the Australian market **grew 56% (gross)**, with our Breath-A-Tech® branded range of Space Chambers and respiratory products continuing to exceed expectations (up 182% yoy), reinforcing MVP as market leader in Australia.

Gross sales into the USA market **grew 353%** and we continue to build our business in that market. We incurred several 'promotional and start up offer' expenses during the year which we do not expect to continue. Since we finalised our distribution deals with McKesson, AmerisourceBergen and Cardinal Health, MVP's Space Chamber Plus® range of devices and masks can be found in over 11,000 pharmacies across the USA. We completed 'ranging' deals in FY17 with each of Walmart, Kmart, Costco, Price Chopper, Sams Club and Independent Pharmacy Co-Op. These deals represent a critical 'footprint' within the USA retail pharmacy market. We expect additional pharmacy distribution deals over the next 12 months. We are well on the way to establishing ourselves as a major supplier of Respiratory Devices in the USA. We

expect to deliver significant sales growth in that market in the years ahead.

Sales into Europe and the UK **grew 32%** and this region continues to make a significant contribution to the profits of our business.

Sales of respiratory devices to New Zealand **grew 23%**. This growth reflects consumers buying our medical devices outside of the fully rebated Pharmac reimbursement program and is testimony to the quality and performance of our products.

Clinical Developments

MVP continues to invest heavily in our clinical and research programs. Our ambition is to extend the use of Pentrox® into Acute Pain applications including Surgical Procedures, Breakthrough Pain and ultimately Home Use. Together with our partners we have begun developing clinical programs to expand the indication for use of Pentrox® to acute pain procedures in the European Union. The benefit of this extension will be available to both our partners in Europe and, more importantly, it will provide essential clinical data to have the market opportunity for Pentrox® extended in jurisdictions worldwide. By way of example we believe the market for Surgical Procedures is bigger than the global opportunity for Pentrox® in Trauma Pain, our traditional market.

During the period, a number of important studies were completed and published or were ongoing including:

New publications:

- Gaskell AL, Jephcott CG, et al. Self-administered methoxyflurane for procedural analgesia: experience in a tertiary Australasian centre: *Anaesthesia* 2016;
- Frangos J, Mikkonen A, et al. Derivation of an occupational exposure limit for an inhalation analgesic methoxyflurane (Pentrox®) *Regulatory Toxicology and Pharmacology*;
- Hey P, Shan J, et al. Inhaled methoxyflurane (Pentrox®) improves tolerability and success of nasogastric probe insertion for esophageal physiological studies: a pilot study. *Journal of Gastroenterology and Hepatology* 2016;
- Nguyen NQ, Burgess J, et al. Effects of Pentrox® on Psychomotor Function in Humans: Psychomotor and cognitive effects of 15-minute inhalation of methoxyflurane in healthy volunteers: implication for post-colonoscopy care A Randomized Placebo Trial. *Endoscopy International Open* 2016;
- Oxer H. Vital Signs Stability during Methoxyflurane Analgesia: Effects of Pentrox® (methoxyflurane) as an analgesic on cardiovascular and respiratory functions in

the pre-hospital setting. *Journal of Military and Veterans' Health* 2016;

- Coffey F, Dissmann P et al. Methoxyflurane Analgesia in Adult Patients in the Emergency Department: A Subgroup Analysis of a Randomized, Double-blind, Placebo-controlled Study (STOP!). *Adv Ther* 2016;
- Blair HA and Frampton JE. Methoxyflurane: A Review in Trauma Pain. *Clin Drug Investig* 2016;
- Dayan A. Analgesic Use of Inhaled Methoxyflurane: Evaluation of its Potential Nephrotoxicity. *Human and Experimental Toxicology* 2015.

Completed study:

- Comparison of Inhalational Methoxyflurane (Pentrox®) And Intramuscular Tramadol for Prehospital Analgesia. (Singapore Emergency Ambulance Service). The trial found Pentrox® was superior to IM Tramadol in terms of analgesic efficacy and speed of onset as well as administration.

On-going studies:

- TRUS-biopsy: A phase III double-blind placebo-controlled randomised trial of methoxyflurane with periprostatic local anaesthesia to reduce the discomfort of transrectal ultrasound-guided prostate biopsy (Pain-Free TRUS B).
- PASS – A Post Authorisation Safety Study designed to track any adverse events to the users of Pentrox® in Europe. The study is scheduled to last two years and the data gathered will be extremely valuable in existing and prospective Pentrox® markets around the world.
- A randomised, double-blind, multicentre, placebo controlled study to evaluate the safety and efficacy of methoxyflurane (Pentrox®) for the treatment of acute pain in children and adolescents from 6 to less than 18 years of age (presenting to an Emergency Department with minor trauma) MEOF-002. This study is designed to be both European and USA compliant which if successful will extend the use of Pentrox® to the paediatric population in Europe and then hopefully in the USA. The study launched in May 2017.

Apart from the USA studies, MVP and its partners are also planning:

- Before-After Implementation Study Comparing the Effectiveness of Nurse Initiated Pain Protocol with Self- Administered Inhaled Analgesia in the Emergency Department (SingHealth);
- Open randomised clinical trial to compare speed of pain relief between methoxyflurane and standard of care for treating patients with trauma pain in Spanish emergency units. (MVP Partner);



- Efficacy and safety of Pentrox® for the moderate to severe acute pain in patients with biliary colic. (MVP Partner) – draft synopsis available;
- Mountain rescue study in Italy (MVP Partner) – planning stages.

These studies will extend the body of safety and efficacy data for Pentrox® in adults and children and enable MVP to leverage the outcome of these studies in the proposed New Drug Application (NDA) to the USA and registrations elsewhere in the world.

Our longer-term ambition is to gather sufficient clinical and safety data to extend the use of Pentrox® into:

- a) minor surgical procedures;
- b) breakthrough post-operative and cancer pain;
- c) repeat use scenarios; and ultimately;
- d) home use.

Product Development

During the period MVP filed two separate Patent Applications protecting its new Pentrox® delivery device technology. In total, we have filed six Patent Applications to protect Pentrox®.

MVP filed one additional Patent Application to protect a new respiratory device developed by MVP.

MVP expects to submit additional patent applications as we extend our respiratory product offering in the future.

Commercial Developments

New Manufacturing Facility

Our new purpose built state of the art manufacturing facility in Scoresby was completed during the year with the facility currently undergoing final validation. The facility will house MVP's commercial scale plant for the new methoxyflurane manufacturing process and also houses state of the art R&D product testing laboratories. The new plant will accommodate medium to long term forecasted demand and is expected to come online later in CY 2017.

CSIRO Project

During the year MVP entered into an agreement with the CSIRO to further develop our manufacturing technology and capability for application to other small molecule pharmaceuticals. This agreement extends MVP's existing partnership with the CSIRO. Our collective ambition is to develop the next generation of manufacturing technologies to make 'small molecule' pharmaceutical products at a significantly reduced cost and improved quality, compared with traditional processes. This project is progressing well and showing encouraging early signs. The initial assessment and investigations indicate there are at least three new molecules that we should be able to manufacture using our technology. These molecules are in billion dollar markets and relate to the areas of chronic and mild pain medication, and asthma and COPD medication.



Opening of our new manufacturing facility in Scoresby

Penthrox®: Rest of World

MVP continues to negotiate with interested parties from around the world in terms of registering and selling Penthrox®. A number of key markets are drawing strong interest and we are encouraged by the responses we are getting from interested parties looking to partner Penthrox® in the USA. We are confident new distribution deals and registrations will be achieved in due course.

Vet

Our Vet business **grew 41%** in FY17 as MVP continues to win new orders from China and South-East Asia.

FY17 Full Year Financial Result

Our full year result has delivered gross revenue growth of 22% and Net profit after tax growth of 16%.

Operating Expenses grew 13% for the period. However, the results include a number of one off expenses such as a foreign exchange loss of \$0.200m, expenses relating to the launch of new product in the USA, expenses relating to the approval of Penthrox® in Europe and costs relating the new manufacturing facility. We estimate these costs total another \$0.350m. We estimate these non-recurring costs total \$0.550m for the year.

MVP continues to invest in our business and people. MVP has employed an additional 26 people since the beginning of 2016 to cater for the workload resulting from the ongoing registration activity and planned new market launches over the next 12 to 18 months. We are now well placed for the future and do not expect further significant investment.

MVP continues to invest in clinical studies, research and development and product development. Some of these expenses have capitalised to intangible assets where appropriate and the remainder has been taken directly to the profit and loss.

MVP recorded \$1.9m as revenue from the amortisation of upfront and milestone payments received as at 30 June 2017. In line with accounting practices these receipts are required to be amortised over the contract term.

We received a \$0.245 million R&D tax incentive refund during the year and a further \$0.424 million is expected in the coming months in relation to FY17.

Dividend

The Board of Directors has declared a fully franked full year dividend of 2 cents per share to the holders of fully paid ordinary shares as at the record date of 1 September 2017 to be paid to shareholders on 6 October 2017. A Dividend Reinvestment Plan is again being offered.

Thank you

We would like to thank our staff, our trading partners and shareholders for their efforts and support and look forward to further success in FY18 and beyond.

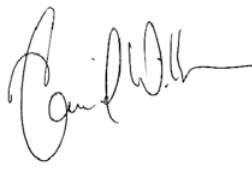
Further information



MR JOHN SHARMAN

CHIEF EXECUTIVE OFFICER

+61 3 9547 1888



MR DAVID WILLIAMS

CHAIRMAN

+61 414 383 593



Product Portfolio

Pharmaceutical

Analgesia Pentrox®

Medical

Asthma Space Chamber Plus®
Anti-Static Space Chamber Plus®
Compact Space Chamber Plus®
Anti-Static Compact Space Chamber Plus®
Space Chamber Plus® Autoclavable spacer
Breath-A-Tech® Spacer
Breath-A-Tech® Hospital Spacer
Breath-Alert® Peak Flow Meter
MyMDI® Portable Nebuliser
MyMDI® Pulse Oximeter

Face masks EZ-fit silicone and disposable face masks

Oxygen OXI-Port® oxygen therapy device
OXI-Sok oxygen therapy device
OXI-Pro oxygen resuscitation device
OXI-Life oxygen resuscitation device
OXI-Saver™ closed circuit oxygen resuscitation device
OXI-Dive closed circuit oxygen resuscitation device
OXI-Vac™ suction system

Regulators KDK™ regulator/flow meter with oxygen flush

Absorbers KAB™ carbon dioxide absorber

Veterinary

Anaesthesia MK5 closed circuit anaesthetic machine
LANA closed circuit anaesthetic machine
Mini-KOM™ anaesthetic machine
Breath-Alert® breathing monitor
Veterinary Spacers



MVP is a world leader in the management of acute and procedural pain

Building our Business

MVP manufactures its world leading inhaled analgesic from its premises in Springvale, Victoria, Australia. MVP is the sole manufacturer of the active molecule worldwide and continues to develop new markets and applications for the iconic brand Pentrox®. Pentrox® continues to be used as a 'first line' product for the treatment of pain in trauma by all Ambulance Services in Australia and New Zealand. MVP continues the promotional focus into the Australian Ambulance services ensuring that the strong positioning of Pentrox® is maintained. Moving forward, the strategy is to continue to broaden the range of customers (hospitals, general practice, dental and cosmetic) domestically and continue to grow the countries that can be served by Pentrox®. In FY17 Pentrox® was successfully launched into France and Belgium. With a number of countries to come online in FY18.

Product Suite

MVP is continuing to develop additional formulations of Pentrox® to provide improved convenience, utility and value for its customers. This includes investing in the product development of a next generation Pentrox® inhalers.



Medical devices

Building our product range

MVP's focus in FY18 will be to add to our established product range, to build on the solid foundation that has been established with our current partnerships in Australia and overseas. At the same time MVP will develop new collaborations for future growth. Core to the growth is the development of new and improved models of:

- Asthma/COPD Space Chambers
- Pentrox[®] Inhaler
- Peak Flow Meters
- Portable Nebulisers
- Pulse Oximeter
- Face Masks
- Tourniquets
- Emergency Medicine consumable equipment

Asthma Devices

MVP's Asthma devices business has been strong for many years and continues to provide solid sales and profit.

The success of this business over recent years has been due to four factors:

- The strength of the Allersearch brand in Australian Hospitals and Pharmacies through our distribution partner
- The growth of the OAPL sales in Hospitals and Pharmacies within Australia



- The acquisition and strong growth of the Breath-A-Tech[®] range
- Growing sales of our range of Asthma products through established international partners and new customers. Of particular note is the ongoing growth in respiratory sales in the USA with MVP products now in approximately 11,000 pharmacies across the USA.

Product Development

MVP's Space Chamber is well known in the market place as the 'Rolls Royce' brand and it offers the greatest opportunity for future growth in the Asthma devices market. To assist in future growth MVP has developed new and improved Space Chambers to assist with product differentiation and local and international penetration.

Oxygen & other Medical equipment

Safe, precision engineering and custom design kits and accessories

MVP manufactures a range of oxygen therapy and resuscitation equipment, providing healthcare professionals and trained personnel with the ability to administer oxygen to patients in an emergency situation. These devices range from basic through to advanced systems of delivering oxygen therapy or resuscitation.

Product Suite

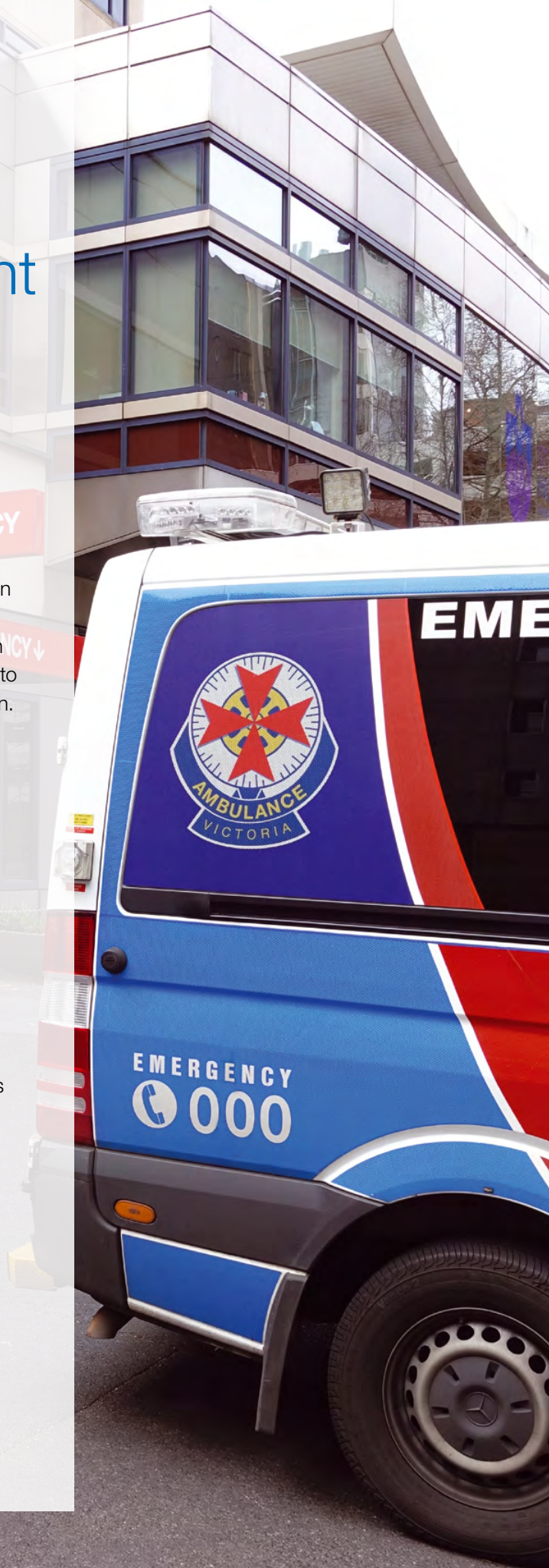
- OXI-Port® oxygen therapy device
- OXI-Sok oxygen therapy device
- OXI-Pro oxygen resuscitation device
- OXI-Life oxygen resuscitation device
- OXI-Saver™ closed circuit oxygen resuscitation device
- OXI-Dive closed circuit oxygen resuscitation device
- OXI-Vac™ suction system

These products are all custom assembled and tested at MVP's TGA approved manufacturing facilities in Melbourne, Australia.

The Market

The MVP's oxygen equipment is purchased and used by:

- Ambulance services
- Fire brigades
- Lifesaving clubs
- Military
- First aid organisations
- Dental markets





MVP re-invigorates its Veterinary product range

Products

- Anaesthetic machines
- Vaporisers
- Breathing monitors
- Veterinary Spacers

The Market

MVP offers a range of open and closed circuit anaesthetic machines to the veterinary market, which are popularly known as Komesaroff anaesthetic machines. MVP has developed a unique market position regarding the design, manufacture and supply of closed circuit anaesthetic machines to this particular niche market in Europe.

Whilst the majority of MDI's veterinary products continue to be sold in Europe through our distributor, Kruuse (one of Europe's largest veterinary distribution companies), the launch of a new machine, and with a new catalogue veterinary sales continue to grow. MVP expect to expand its growth into Asia through various distributors.

New Product Development

MVP's Breath-Alert® breathing monitor (Mark IV) continued to sell well on new but simple selling features such as size (smaller unit), ease of use and battery longevity. Through new products, a specifically tailored catalogue and promotion via our Australian distributor will assist future sales growth.

Board of Directors



Mr David Williams

Non-Executive Chairman

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



Mr Max Johnston

Non-Executive Director

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



Dr Harry Oxer AM

Non-Executive Director

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



Mr Philip Powell

Non-Executive Director

Mr Powell, a Chartered Accountant, has an extensive finance background and commenced working in investment banking in 1996 at Hambros Corporate Finance following ten years industry experience in senior finance roles with ASX listed public company OAMPS Limited. Prior to these roles, he worked for ten years within the Assurance Division at Arthur Andersen & Co.

From January 2006 to July 2013 he was a Director at Corporate Finance Advisory firm Kidder Williams. Philip is also a Non-executive Director of PolyNovo Limited (ASX: PNV).

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



Mr Leon Hoare

Non-Executive Director

Mr Hoare is the Managing Director of Lohmann & Rauscher Australia/New Zealand (ANZ), a private EU based medical device company. Previously he was Managing Director of Smith & Nephew ANZ, which is one of the company's largest global subsidiaries outside the USA. Until 2014 he served as President of Smith & Nephew's Asia Pacific Advanced Wound Management (AWM) business for 5 years. He was also a member of the Global Executive Management for the AWM Division. In his 24 years with Smith & Nephew, he also held roles in Marketing, Divisional and General Management.

24 Medical Developments International Limited Mr Hoare's career also included a senior role at Bristol-Myers Squibb in surgical products, and Vice-Chair of Australia's peak medical device body, Medical Technology Association of Australia.

He is also a Non-Executive Director of PolyNovo Limited (ASX: PNV).



Mr Allan McCallum

Non-Executive Director

Mr McCallum has over 20 years' public companies experience including an ASX 50 company and has served on numerous committees including: Audit, Remuneration & Nomination, and as an Independent Director on Related Parties (Governance) Committees. Mr McCallum is a member of the Remuneration and Nominations Committee. He is also Chairman of Tassal Group Ltd and Cann Group Limited.

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



Full-Year Report 2017

Financial Year Ended 30 June 2017

(Previous corresponding period:
financial year ended 30 June 2016)





Contents

Directors' Report	19
Independence Declaration to the Directors of Medical Developments International Limited	32
Independent Auditor's Report to the Members of Medical Developments International Limited	33
Directors' Declaration	37
Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Financial Year Ended 30 June 2017	38
Consolidated Statement of Financial Position as at 30 June 2017	39
Consolidated Statement of Changes in Equity for the Financial Year Ended 30 June 2017	40
Consolidated Statement of Cash Flows for the Financial Year Ended 30 June 2017	41
Notes to the Financial Statements for the Financial Year Ended 30 June 2017	42



Directors' Report

The directors of Medical Developments International Limited ('MDI') herewith submit the annual financial report of the company for the financial year ended 30 June 2017. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the Directors

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

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

Non-Executive Chairman (since 16 September 2003)

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

Mr A D McCallum, Dip.Ag Science, FAICD

Non-Executive Director (since 27 October 2003)

Mr McCallum has over 20 years' public companies experience including an ASX 50 company and has served on numerous committees including: Audit, Remuneration & Nomination, and as an Independent Director on Related Parties (Governance) Committees. Mr McCallum is a member of the Remuneration and Nominations Committee. He is also Chairman of Tassal Group Ltd and Cann Group Limited.

Dr H F Oxe, AM, ASM, KStJ

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

Non-Executive Director (since 28 December 2006)

Dr Oxe is a Medical Consultant to MDI and St John Ambulance in Western Australia. Dr Oxe was a long-time

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

Mr R M Johnston

Non-Executive Director (since 5 November 2012)

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

Mr L Hoare, AssocDipAppSc (Orth), GradDipBus, GAICD

Non-Executive Director (since 27 September 2013)

Mr Hoare is the Managing Director of Lohmann & Rauscher Australia/New Zealand (ANZ), a private EU based medical device company. Previously he was Managing Director of Smith & Nephew ANZ, which is one of the company's largest global subsidiaries outside the USA. Until 2014 he served as President of Smith & Nephew's Asia Pacific Advanced Wound Management (AWM) business for 5 years. He was also a member of the Global Executive Management for the AWM Division. In his 24 years with Smith & Nephew, he also held roles in Marketing, Divisional and General Management.

Mr Hoare's career also included a senior role at Bristol-Myers Squibb in surgical products, and Vice-Chair of Australia's peak medical device body, Medical Technology Association of Australia.

He is also a Non-Executive Director of PolyNovo Limited (ASX: PNV).

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

Non-Executive Director (since 17 December 2014)

Mr Powell, a Chartered Accountant, has an extensive finance background and commenced working in investment banking in 1996 at Hambros Corporate Finance following ten years industry experience in senior finance roles with ASX listed public company OAMPS Limited. Prior to these roles, he worked for ten years within the Assurance Division at Arthur Andersen & Co.

From January 2006 to July 2013 he was a Director at Corporate Finance Advisory firm Kidder Williams. Philip is also a Non-executive Director of PolyNovo Limited (ASX: PNV).

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

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

Directorships of other listed companies

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

Name	Company	Period of Directorship
David Williams	Polynovo Limited (Chairman)	Since 13 March 2014
	IDT Australia Limited	Until 19 May 2015
Allan McCallum	Tassal Group Ltd (Chairman)	Since October 2003
	Cann Group Limited (Chairman)	Since 5 May 2017
Max Johnston	Probiotec Ltd	Until 28 November 2016
	Enero Group Limited	Since March 2011
	Polynovo Limited	Since 13 May 2014
Philip Powell	Polynovo Limited	Since 13 May 2014
Leon Hoare	Polynovo Limited	Since 27 January 2016

Company Secretary

Mr Mark Edwards, CA.

Mr Edwards is also the Group Financial Controller of the company.

Principal Activities

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

Review of Operations

Penthrox® Developments

Penthrox® was launched in the French and Belgium markets in February 2017 and feedback from these markets is very positive. These launches were milestone events and in preparation for the launches, MVP received and delivered its largest ever single order for Penthrox®. Since launch, MVP has delivered its second order for the French market.

In the UK and Ireland, our distributor is making good progress and in June 2017, MVP supplied its second order post launch in the UK and Ireland. Galen continue to grow Penthrox® sales into hospitals in the UK and Ireland. **56 hospitals have now approved Penthrox®** into formulary listing and are using the product. These include six of the eleven Major Trauma Centres in the UK and we expect another to approve the use of Penthrox® in the coming months.

The guidelines for the use of Penthrox® in Ambulance services throughout Ireland were approved by PHECC in May. Penthrox® is available for use in all Ambulance Services in Ireland and will be rolled out across the country once training of Emergency Medical Technicians, Paramedics and Advanced Paramedics is completed which is expected before the end of the year.

The Joint Royal College Ambulance Liaison Committee ('JRCALC') is expected to issue updated pain management guidelines by October. Penthrox® is expected to be listed in these guidelines for all ambulance services. Our distributor has advised us that four Ambulance Trusts are already actively engaging in protocol assessments for the use of Penthrox® in anticipation of the guideline listing for Penthrox®.

Our target is to achieve formulary approval in 160 hospitals. It is estimated that 60% of trauma cases in the UK are seen by the top 30% of hospitals.

Penthrox® is making excellent progress in France. In market sales and formulary approvals are growing at a much quicker



rate than the UK, where the formulary approval process is long and arduous. We summarise the progress our partner is making in France as follows:

- They are targeting formulary approval in 350 hospitals.
- They have already submitted 250 formulary applications.
- They have achieved 99 formulary approvals in France.
- They have 21 rejected formulary applications.
- 143 hospitals have ordered Pentrox® in France.
- About 50% of customers who have ordered Pentrox® have already re-ordered.

We are confident Pentrox® will be a very significant drug in France and more importantly, we are confident our partners in Europe are well placed to deliver aggressive sales growth over the coming years.

In November 2016 MVP's European Partner submitted an application to the United Kingdom's Medicines & Healthcare products Regulatory Agency (MHRA) under the Decentralised Procedure to have Pentrox® approved for sale in Germany, Italy, Spain, Sweden, Switzerland, Finland, Austria, Denmark, Poland, Portugal, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Latvia, Lithuania, Luxemburg, Romania, Slovakia and Slovenia. We are currently **ahead of our target dates** and have responded in full to the questions raised by the regulatory agencies as part of the day 105 'stop clock'. We do not expect any further issues to be raised from here and the approval and closure of the decentralised procedure is expected before the end of calendar year 2017. National approvals for the sale of Pentrox® will follow for each country and sales are expected to commence during H2 FY18.

In addition, 'National Regulatory Applications' are expected to be filed with the relevant agencies in the Netherlands, Greece, Macedonia, Serbia, Albania, Liechtenstein, Montenegro, Kosovo, San Marino, Vatican City, Bosnia and Herzegovina, Andorra and Monaco in due course. Approvals to sell Pentrox® in these countries are expected during FY18 and beyond.

Elsewhere in the world our regulatory submissions to Mexico, Iran, Hong Kong, Saudi Arabia, Iraq, Jordan and Korea are progressing.

In all, MVP is working towards approvals to sell Pentrox® in **another 37 countries over the next 12 to 18 months.**

MVP finalised licensing and distribution deals in Korea and Canada during the half year and received milestone payments. A new licensing and distribution deal was also signed in Russia in April 2017.

Pentrox® sales to New Zealand grew 593% stemming from the decision during the year by New Zealand's leading provider of Ambulance Services, St John Ambulance,

to change their clinical practice and guidelines such that "Entonox (Nitrous Oxide) was discontinued with Pentrox® the sole inhaled analgesic administered".

Pentrox® was approved for sale by the Food and Drug Administration in Taiwan and we made our first sale into Taiwan in March 2017.

United States of America

Recent developments in the USA around opioid addiction and abuse make the clinical need and market opportunity for Pentrox® very attractive. Given the public and legislative bias expressed by the USA government and its Food Drug Administration (FDA) against the use of opioids, Pentrox® as a non-opioid / non-narcotic, fast acting, safe, easy to use, store and administer acute pain drug offers an attractive alternative.

In May 2017, MVP met with the FDA to discuss and confirm our proposed regulatory program designed to have Pentrox® approved for sale in the USA. That meeting was very positive and MVP now has a clearer understanding of the support and requirements the FDA has in terms of approving Pentrox® for sale in the USA. MVP is proceeding with its development program comprising a number of clinical and non-clinical studies. The clinical and non-clinical work in several cases repeats work done and we are confident the data collected will reconfirm what we already know and what has already been previously accepted by various regulators elsewhere in the world.

We estimate the work needed to submit a New Drug Application (NDA) in the USA will be completed within two and a half years, at a cost of \$US15 million.

Most importantly, we expect to submit our application to have our Investigational New Drug applications accepted early in calendar year 2018.

We are also planning to submit a **'Fast Track'** application to the FDA at the time of our IND submission. The 'Fast Track' application is a process designed to facilitate the development, and expedite the review of drugs to treat serious conditions and fill an unmet medical need in the USA. The purpose is to get important new drugs to the patient earlier. After our meeting at the FDA we are of the view that a Fast Track application to get Pentrox® approved in the USA is appropriate.

Respiratory Developments

Our respiratory device business continues to grow strongly. Overall gross revenue from respiratory devices grew 50%.

Sales of respiratory devices in the Australian market **grew 56% (gross)**, with our Breath-A-Tech® branded range of

Space Chambers and respiratory products continuing to exceed expectations (up 182% yoy), reinforcing MVP as market leader in Australia.

Gross sales into the USA market **grew 353%** and we continue to build our business in that market. We incurred several 'promotional and start up offer' expenses during the year which we do not expect to continue. Since we finalised our distribution deals with McKesson, AmerisourceBergen and Cardinal Health, MVP's Space Chamber Plus range of devices and masks can be found in over 11,000 pharmacies across the USA. We completed 'ranging' deals in FY17 with each of Walmart, Kmart, Costco, Price Chopper, Sams Club and Independent Pharmacy Co-Op. These deals represent a critical 'footprint' within the USA retail pharmacy market. We expect additional pharmacy distribution deals over the next 12 months. We are well on the way to establishing ourselves as a major supplier of Respiratory Devices in the USA. We expect to deliver significant sales growth in that market in the years ahead.

Sales into Europe and the UK **grew 32%** and this region continues to make a significant contribution to the profits of our business.

Sales of respiratory devices to New Zealand grew 23%. This growth reflects consumers buying our medical devices outside of the fully rebated Pharmac reimbursement program and is testimony to the quality and performance of our products.

Clinical Developments

MVP continues to invest heavily in our clinical and research programs. Our ambition is to extend the use of Pentrox[®] into Acute Pain applications including Surgical Procedures, Breakthrough Pain and ultimately Home Use. Together with our partners we have begun developing clinical programs to expand the indication for use of Pentrox[®] to acute pain procedures in the European Union. The benefit of this extension will be available to both our partners in Europe and, more importantly, it will provide essential clinical data to have the market opportunity for Pentrox[®] extended in jurisdictions worldwide. By way of example we believe the market for Surgical Procedures is bigger than the global opportunity for Pentrox[®] in Trauma Pain, our traditional market.

During the period, a number of important studies were completed and published or were ongoing including:

New publications:

- Gaskell AL, Jephcott CG, et al. Self-administered methoxyflurane for procedural analgesia: experience in a tertiary Australasian centre: *Anaesthesia* 2016;
- Frangos J, Mikkonen A, et al. Derivation of an occupational exposure limit for an inhalation analgesic

methoxyflurane (Pentrox[®]) *Regulatory Toxicology and Pharmacology*;

- Hey P, Shan J, et al. Inhaled methoxyflurane (Pentrox[®]) improves tolerability and success of nasogastric probe insertion for esophageal physiological studies: a pilot study. *Journal of Gastroenterology and Hepatology* 2016;
- Nguyen NQ, Burgess J, et al. Effects of Pentrox[®] on Psychomotor Function in Humans: Psychomotor and cognitive effects of 15-minute inhalation of methoxyflurane in healthy volunteers: implication for post-colonoscopy care A Randomized Placebo Trial. *Endoscopy International Open* 2016;
- Oxer H. Vital Signs Stability during Methoxyflurane Analgesia: Effects of Pentrox[®] (methoxyflurane) as an analgesic on cardiovascular and respiratory functions in the pre-hospital setting. *Journal of Military and Veterans' Health* 2016;
- Coffey F, Dissmann P et al. Methoxyflurane Analgesia in Adult Patients in the Emergency Department: A Subgroup Analysis of a Randomized, Double-blind, Placebo-controlled Study (STOP!). *Adv Ther* 2016;
- Blair HA and Frampton JE. Methoxyflurane: A Review in Trauma Pain. *Clin Drug Investig* 2016;
- Dayan A. Analgesic Use of Inhaled Methoxyflurane: Evaluation of its Potential Nephrotoxicity. *Human and Experimental Toxicology* 2015.

Completed study:

- Comparison of Inhalational Methoxyflurane (Pentrox[®]) And Intramuscular Tramadol for Prehospital Analgesia. (Singapore Emergency Ambulance Service). The trial found Pentrox was superior to IM Tramadol in terms of analgesic efficacy and speed of onset as well as administration.

On-going studies:

- TRUS-biopsy: A phase III double-blind placebo-controlled randomised trial of methoxyflurane with periprostatic local anaesthesia to reduce the discomfort of transrectal ultrasound-guided prostate biopsy (Pain-Free TRUS B).
- PASS – A Post Authorisation Safety Study designed to track any adverse events to the users of Pentrox in Europe. The study is scheduled to last two years and the data gathered will be extremely valuable in existing and prospective Pentrox markets around the world.
- A randomised, double-blind, multicentre, placebo controlled study to evaluate the safety and efficacy of methoxyflurane (Pentrox[®]) for the treatment of acute pain in children and adolescents from 6 to less than 18 years of age (presenting to an Emergency Department with minor trauma) MEOF-002. This study is designed

to be both European and USA compliant which if successful will extend the use of Pentrox® to the paediatric population in Europe and then hopefully in the USA. The study launched in May 2017.

Apart from the USA studies, MVP and its partners are also planning:

- Before-After Implementation Study Comparing the Effectiveness of Nurse Initiated Pain Protocol with Self- Administered Inhaled Analgesia in the Emergency Department (SingHealth);
- Open randomised clinical trial to compare speed of pain relief between methoxyflurane and standard of care for treating patients with trauma pain in Spanish emergency units. (MVP Partner);
- Efficacy and safety of Pentrox® for the moderate to severe acute pain in patients with biliary colic. (MVP Partner) – draft synopsis available;
- Mountain rescue study in Italy (MVP Partner) – planning stages.

These studies will extend the body of safety and efficacy data for Pentrox® in adults and children and enable MVP to leverage the outcome of these studies in the proposed New Drug Application (NDA) to the USA and registrations elsewhere in the world.

Our longer-term ambition is to gather sufficient clinical and safety data to extend the use of Pentrox® into:

- a) minor surgical procedures;
- b) breakthrough post-operative and cancer pain;
- c) repeat use scenarios; and ultimately
- d) home use.

Product Developments

During the period MVP filed two separate Patent Applications protecting its new Pentrox® delivery device technology. In total, we have filed six Patent Applications to protect Pentrox®.

MVP filed one additional Patent Application to protect a new respiratory device.

MVP expects to submit additional patent applications as we extend our respiratory product offering in the future.

Commercial Developments

New Manufacturing Facility

Our new purpose built state of the art manufacturing facility in Scoresby was completed during the year with the facility

currently undergoing final validation. The facility will house MVP's commercial scale plant for the new methoxyflurane manufacturing process and also houses state of the art R&D product testing laboratories. The new plant will accommodate medium to long term forecast demand and is expected to come online later in CY2017.

CSIRO Project

During the year MVP entered into an agreement with the CSIRO to further develop our manufacturing technology and capability for application to other small molecule pharmaceuticals. This agreement extends MVP's existing partnership with the CSIRO. Our collective ambition is to develop the next generation of manufacturing technologies to make 'small molecule' pharmaceutical products at a significantly reduced cost and improved quality, compared with traditional processes. This project is progressing well and showing encouraging early signs. The initial assessment and investigations indicate there are at least three new molecules that we should be able to manufacture using our technology. These molecules are in billion dollar markets and relate to the areas of chronic and mild pain medication, and asthma and COPD medication.

Pentrox®: Rest of World

MVP continues to negotiate with interested parties from around the world in terms of registering and selling Pentrox®. A number of key markets are drawing strong interest and we are encouraged by the responses we are getting from interested parties looking to partner Pentrox® in the USA. We are confident new distribution deals and registrations will be achieved in due course.

Vet

Our Vet business **grew 41%** in FY17 as MVP continues to win new orders from China and South-East Asia.

FY17 Full Year Financial Result

Our full year result has delivered gross revenue growth of 22% and Net profit after tax growth of 16%.

Operating Expenses grew 13% for the period. However, the results include a number of one off expenses such as a foreign exchange loss of \$0.200m, expenses relating to the launch of new product in the USA, expenses relating to the approval of Pentrox® in Europe and costs relating the new manufacturing facility. We estimate these costs total another \$0.350m. We estimate these non-recurring costs total \$0.550m for the year.

MVP continues to invest in our business and people. MVP has employed an additional 26 people since the beginning

of 2016 to cater for the workload resulting from the ongoing registration activity and planned new market launches over the next 12 to 18 months. We are now well placed for the future and do not expect further significant investment.

MVP continues to invest in clinical studies, research and development and product development. Some of these expenses have capitalised to intangible assets where appropriate and the remainder has been taken directly to the profit and loss.

We expect a significant uplift in revenue in the medium term as new country registrations for Pentrox® translate into sales and the new channels of distribution for asthma devices translate into further sales growth.

MVP recorded \$1.9m as revenue from the amortisation of upfront and milestone payments received as at 30 June 2017. In line with accounting practices these receipts are required to be amortised over the contract term.

We received a \$0.245 million R&D tax incentive refund during the year and a further \$0.424 million is expected in the coming months in relation to FY17.

Dividend

The Board of Directors has declared a fully franked full year dividend of 2 cents per share to the holders of fully paid ordinary shares as at the record date of 1 September 2017 to be paid to shareholders on 6 October 2017. A Dividend Reinvestment Plan is again being offered.

Financial Position

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

- Interest bearing liabilities at 30 June 2017 total \$0.429m; and
- The debt facility available to the company was unused as at 30 June 2017 and the company has extended this facility post 30 June 2017 (refer subsequent events below).

Changes in State of Affairs

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

Subsequent Events

In August 2017, the Company signed an unconditional Term Sheet with its financiers to extend its Bank Bill Facility. The initial facility for \$5m was due to expire in October 2018. The new facility will increase to \$11m and will extend to August 2019.

On the 18th August 2017 the Board of Directors declared a fully franked final dividend of 2 cents per share to the

holders of fully paid ordinary shares as at the record date of 1 September 2017, to be paid to the shareholders on the 6 October 2017. Refer below for further details.

There has not been any other matter or circumstance that has arisen that has significantly affected, or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future years.

Dividends

The Board of Directors is pleased to declare a Final Dividend of 2 cents per share fully-franked.

MVP intends to implement a Dividend Reinvestment Plan which will allow shareholders to use the proceeds from the Full Year Dividend to purchase MVP shares at a 5% discount to the volume weighted average price of all of the company's fully paid shares sold on the ASX during the 10 trading days immediately before the record date.

The timetable for the Final Dividend for the year ended 30 June 2017 is:

Key dates	Event
18 August 2017	Declaration of Final Dividend
1 September 2017	Record Date for eligible shareholders to receive dividend
22 September 2017	Date for shareholders to elect to participate in Dividend Reinvestment Plan
6 October 2017	Payment Date

Indemnification of Officers and Auditors

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

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

Directors' Meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 9 Board meetings, two Audit and Risk Committee meetings and one Remuneration and Nominations committee meeting were held.



Directors' Shareholdings

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

Directors hold no options over shares as at 30 June 2017.

	Fully paid shares
D.J. Williams	17,970,388
A.D. McCallum	384,671
H.F. Oxe	193,118
M. Johnston	30,365
L. Hoare	10,121
P.J. Powell	255,157

	Board of Directors		Audit & Risk Committee		Remuneration & Nominations Committee	
	Held	Attended	Held	Attended	Held	Attended
D.J. Williams	9	9	-	-	1	1
A.D. McCallum	9	9	-	-	1	1
H.F. Oxe	9	7	-	-	-	-
M. Johnston	9	9	2	2	-	-
L. Hoare	9	9	-	-	-	-
P.J. Powell	9	9	2	2	-	-

Audited Remuneration Report

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Medical Developments International Limited's key management personnel for the financial year ended 30 June 2017. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity. The prescribed details for each person covered by this report are detailed below under the following headings:

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

Key Management Personnel Details

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

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

- D.J. Williams (Chairman, Non-executive)
- H. F. Oxe (Non-executive)
- A.D. McCallum (Non-executive)
- R.M. Johnston (Non-executive)
- L. Hoare (Non-executive)
- P. Powell (Non-executive)

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

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

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

Key management personnel equity holdings – fully paid ordinary shares

2017	Balance at 30 June 2016 No.	Issued during the year via DRP No.	Received on exercise of options No.	Net Other Change No.	Balance at 30 June 2017 No.
D.J. Williams *	17,809,855	139,115	-	21,418	17,970,388
A.D. McCallum	381,690	2,981	-	-	384,671
H.F. Oxe	191,622	1,496	-	-	193,118
M. Johnston	30,131	234	-	-	30,365
L. Hoare	10,043	78	-	-	10,121
P.J. Powell	253,180	1,977	-	-	255,157
J. Sharman	28,683	1,629	800,000	(320,000)	510,312
M. Edwards	-	-	-	-	-
	18,705,204	147,510	800,000	(298,582)	19,354,132

* Mr. Williams acquired 30,000 shares during the year and ceased being trustee for 8,582 shares owned by Saul Williams

2016	Balance at 30 June 2015 No.	Issued during the year via DRP No.	Net Other Change No.	Balance at 30 June 2016 No.
D.J. Williams	23,371,990	77,865	(5,640,000)	17,809,855
A.D. McCallum	477,497	1,668	(97,475)	381,690
H.F. Oxe	207,013	909	(16,300)	191,622
M. Johnston	30,000	131	-	30,131
L. Hoare	10,000	43	-	10,043
P.J. Powell	352,074	1,106	(100,000)	253,180
J. Sharman	109,230	125	(80,672)	28,683
M. Edwards	-	-	-	-
	24,557,804	81,847	(5,934,447)	18,705,204

Key management personnel share option plan

In the prior year (on 18 January 2016) the company announced it has agreed to a Long-Term Incentive Plan 'LTIP' with Mr. John Sharman, the CEO of Medical Developments International Limited to encourage his long-term commitment to the business.

The key plan features are summarised as follows:

- A grant of 400,000 options with a strike price of \$2.50 but vesting only when the MVP share price has been above \$4.50 at all times for 60 continuous ASX Trading days. These options were due to expire on 28 February 2017, however vested and were exercised on 10 August 2016;
- A grant of 400,000 options with a strike price of \$2.50 but vesting only when the MVP share price has been above \$5.50 for 60 continuous ASX Trading days. These options were due to expire on 30 September 2017, however vested and were exercised on 5 October 2016; and

- A grant of 200,000 options with a strike price of \$2.50 but vesting only when reimbursement is approved for Pentrox® in Germany or Registration is approved in Germany (whichever occurs first). These options expired on 31 December 2016.

Each share option converted into one ordinary share of Medical Developments Limited on exercise. No amounts are paid or payable by the recipient on the receipt of the option nor are they tradeable at any time. The options carried neither rights to dividends or voting rights.

Under the terms of the plan, all outstanding options were to be cancelled if Mr. Sharman leaves or is otherwise no longer employed at MVP for any reason. When the LTIP delivers an entitlement to an equity interest via the prevailing share price hurdle, Mr. Sharman will have 3 months to exercise the relevant options, after which the relevant options will lapse. In each case, 60% of the new shares issued by exercising options will be escrowed for a period of 12 months from issue date.

There has been no alteration to the terms and conditions of the above share based payment arrangement since grant date. There has been no further issue of options in the year ended 30 June 2017.

2017	Balance at 30 June 2016 No.	Granted as remuneration No.	Exercised No.	Lapsed No.	Balance at 30 June 2017 No.	Balance vested at 30 June 2017 but not exercised No.	Balance not vested at 30 June 2017 No.	Options vested during the year No.
J. Sharman	1,000,000	-	(800,000)	(200,000)	-	-	-	-

2016	Balance at 30 June 2015 No.	Granted as remuneration No.	Balance at 30 June 2016 No.	Balance vested at 30 June 2016 but not exercised No.	Balance not vested at 30 June 2016 No.	Options vested during the year No.
J. Sharman	-	1,000,000	1,000,000	400,000	600,000	400,000

Share options made to Mr. Sharman were made in accordance with the provisions of the employee share option plan. The above represented the only existing options over shares as at 30 June 2016. All vested options are exercisable. These options do not have the right, by virtue of the option, to participate in share issues or interest issue of the company.

Issuing Entity	Tranche	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Medical Developments International Ltd	1	400,000	Ordinary	\$2.50	28-Feb-17
Medical Developments International Ltd	2	400,000	Ordinary	\$2.50	30-Sep-17
Medical Developments International Ltd	3	200,000	Ordinary	\$2.50	31-Dec-16
		1,000,000			

Tranche 1 – was exercised on 10 August 2016.

Tranche 3 – Lapsed on 31 December 2016.

Tranche 2 – was exercised on 5 October 2016.

Remuneration Policy

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

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

The remuneration and nominations committee, comprised of D.J. Williams and A.D. McCallum, determines the salary package of the CEO of the company and reviews the

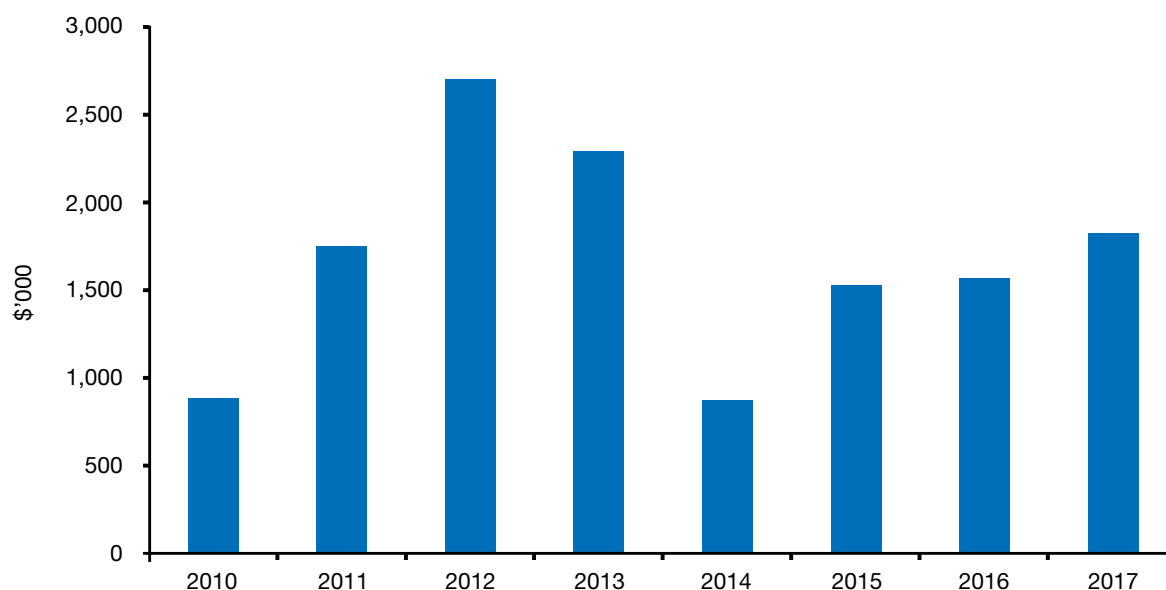
compensation of the non-executive directors on an annual basis. Changes are approved by the board as a whole.

Relationship between the Remuneration Policy and Company Performance

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

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

Net Profit After Tax 2010-2017



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

	2010	2011	2012	2013	2014	2015	2016	2017
Share price - start (\$)	0.18	0.22	0.40	0.79	1.27	1.32	2.68	6.10
Share price - end (\$)	0.22	0.40	0.79	1.27	1.32	2.68	6.10	4.95
Interim Dividend (cps)*	-	-	3.00	3.00	-	-	2.00	2.00
Final Dividend (cps)*	-	3.00	3.00	2.00	-	-	2.00	2.00
Basic Earnings per Share (cps)	1.70	3.40	5.10	4.10	1.50	2.65	2.70	3.10
Diluted Earnings per Share (cps)	1.70	3.40	5.10	4.10	1.50	2.65	2.65	3.10

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

Dividends

A further 2c full franked dividend per fully paid ordinary share has been declared for the full year.

Elements of director and executive remuneration

Remuneration packages contain the following key elements:

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



The following table discloses the remuneration of the directors of the company in 2017:

2017	Short-Term Employee Benefits		Post Employment	Long-term employee benefits	Share-Based Payments	Total
	Salary & Fees \$	Bonus \$	Superannuation \$	Long service leave \$	Options & Rights \$	\$
Directors						
D.J. Williams	50,493	-	22,797	-	-	73,290
A.D. McCallum	41,096	-	3,904	-	-	45,000
H.F. Oxe	41,096	-	3,904	-	-	45,000
M. Johnston	41,096	-	3,904	-	-	45,000
L. Hoare	41,096	-	3,904	-	-	45,000
P.J. Powell	31,096	-	12,954	-	-	44,050
	245,973	-	51,367	-	-	297,340

2017	Short-Term Employee Benefits		Post Employment	Long-term employee benefits	Share-Based Payments	Total	Remuneration Linked to performance
	Salary & Fees \$	Bonus \$	Superannuation \$	Long service leave \$	Options & Rights \$	\$	
Executives							
J. Sharman (Chief Executive Officer)	299,834	162,500	25,166	14,425	13,399	515,324	32%
M. Edwards (Company Secretary)	154,642	4,566	15,125	581	-	174,914	3%
	454,476	167,066	40,290	15,006	13,399	690,238	

Both Mr Sharman and Mr Edwards remuneration comprised a performance related component of \$162,500 and \$4,566 respectively. No directors remuneration contained a performance related component.

- (i) The value of the options granted to Mr Sharman as part of his remuneration was calculated at grant date using a Monte Carlo simulation pricing model. The model estimates the achievement of the vesting hurdles and calculated the present value of the payoff on vesting. This value is amortised over potential vesting period and disclosed as part of remuneration for the financial year with an adjustment made to remuneration expense for any options vesting earlier or probable to do so.

The following table discloses the remuneration of the directors of the company in 2016:

2016	Short-Term Employee Benefits		Post Employment	Long-term employee benefits	Share-Based Payments	Total
	Salary & Fees \$	Bonus \$	Superannuation \$	Long service leave \$	Options & Rights \$	\$
Directors						
D.J. Williams	61,644	-	5,856	-	-	67,500
A.D. McCallum	37,671	-	3,579	-	-	41,250
H.F. Oxeer	37,671	-	3,579	-	-	41,250
M. Johnston	37,671	-	3,579	-	-	41,250
L. Hoare	37,671	-	3,579	-	-	41,250
P.J. Powell	19,671	-	19,869	-	-	39,540
	231,999	-	40,041	-	-	272,040

The following table discloses the remuneration of the key executives of the company in 2016:

2016	Short-Term Employee Benefits		Post Employment	Long-term employee benefits	Share-Based Payments	Total	Remuneration Linked to performance
	Salary & Fees \$	Bonus \$	Superannuation \$	Long service leave \$	Options & Rights \$	\$	
Executives							
J. Sharman (Chief Executive Officer)	290,664	30,000	26,314	14,425	318,185	679,588	4%
M. Edwards (Company Secretary)	145,453	4,566	14,207	581	-	164,807	3%
	436,117	34,566	40,521	15,006	318,185	844,395	

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

Elements of remuneration related to performance

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

Short-term incentives

The determination and approval of any potential bonuses is at the discretion of the Board.

During the 2017 financial year, discretionary bonuses totalling \$167,066 (2016: \$34,566) were determined and approved by the Remuneration and Nominations Committee in relation to key management personnel in respect of their performance in the 2016 financial year.

Contracts for services

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

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

Non-audit services

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The non-audit services related to the provision of taxation and other accounting and assurance services and totalled \$26,075. The directors do not believe that the provision of advice of this nature compromises the general principles relating to auditor's independence, as set out by the Institute of Chartered Accountants in Australia.

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

Auditor's independence declaration

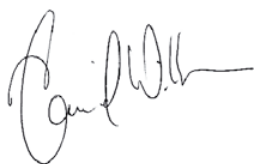
The auditor's independence declaration is included on page 32 of the annual report.

Rounding off of amounts

The Company is a Company of the kind referred to in ASIC Corporations (rounding in Financial/Director's Reports) Instrument 2016/191 dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the directors.



David Williams

Chairman

Melbourne, 18 August 2017



The Board of Directors
Medical Developments International Limited
4 Caribbean Drive
Scoresby VIC 3179

18 August 2017

Dear Board Members

Medical Developments International Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Medical Developments International Limited.

As lead audit partner for the audit of the financial statements of Medical Developments International Limited for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



Samuel Vorwerg
Partner
Chartered Accountants

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Medical Developments International Limited (the "Entity") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of their financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Entity, would be in the same terms if given to directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Recoverability of Goodwill As at 30 June 2017 the Group's Goodwill balance totals \$8,874m as disclosed in note 13. Significant judgement is required by management to determine assumptions and estimates involved in preparing a discounted cash flow model ('value in use') for each of the Group's Cash Generating Units ('CGU's), including: • Forecast EBITDA and free cash flow for each CGU, • EBITDA growth rates over the forecast period and terminal value of each CGU, and • Discount rates appropriate to the risk profile of each CGU. Changes to these assumptions can materially impact the valuation determined for each CGU.	Our procedures included, but were not limited to: • Obtaining an understanding of the process undertaken by management to prepare the value in use model for each CGU to identify and test key controls supporting the process, • In conjunction with our valuation specialists, evaluating and testing the key assumptions used in management's value in use model including: ◦ Assessing the consistency and appropriateness of forecast revenue, EBITDA and free cash flows with reference to expected sales by geography and customer, ◦ Assessing the appropriateness of EBITDA growth rates applied over the forecast period and terminal value with reference to management's current business plans, ◦ Assessing the historical accuracy of forecasts of the Group's operating results, and ◦ Comparing the expected discount rate for each CGU to the rate calculated by management. • Performing sensitivity analysis on the impairment model by applying varied discount rates and growth projections to simulate alternative market conditions and outcomes. We have also assessed the appropriateness of the disclosures in Note 13 to the financial statements.
Capitalisation of intangible assets As at 30 June 2017 the Group's Intangible assets total \$15,092m as disclosed in note 14. Capitalisation of other intangible assets requires management judgement to determine whether: • Expenditure relates to development activity and not research activity, • Expected future economic benefits attributable to the intangible assets will flow to the Group, • The amortisation of intangible assets should commence when revenue has been generated, and • The useful lives assigned to each individual category are appropriate.	Our procedures included, but were not limited to: • Obtaining an understanding of the process undertaken by management to determine whether expenditure should be capitalised as intangible assets and to identify and test key controls supporting the process, • Assessing the appropriateness of management's accounting policy, • Assessing all capitalised intangible assets not yet available for use and a sample of capitalised intangible assets available for use at balance date to determine whether it is probable that expected future economic benefits attributable to those assets will flow to the Group, and • Reviewing the listing of capitalised intangible assets at balance date to verify that: ◦ Amortisation has commenced on intangible assets that are available for use, and ◦ The useful lives assigned to each intangible asset are appropriate. We have also assessed the appropriateness of the disclosures in Note 14 to the financial statements.

Other Information

Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017 (inclusive of the Chairman's and CEO's report and the Director's Report), but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are

based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 31 the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Medical Developments International Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

Directors of the Entity 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.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



Samuel Vorweg
Partner

Chartered Accountants
Melbourne, 18 August 2017



Directors' Declaration

The directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity;
- c) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 of the financial statements; and
- d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

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

On behalf of the Directors

David Williams

Chairman

Melbourne, 18 August 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Financial Year Ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Gross revenue from sale of goods and contracts		18,904	15,495
Less discounts and claims		(557)	(24)
Net revenue from sale of goods and contracts	4(a)	18,347	15,471
Cost of sales		(5,764)	(4,260)
Gross profit		12,583	11,211
Other income	4(a)	11	22
Distribution expenses		(941)	(900)
Marketing expenses		(2,759)	(1,637)
Occupancy expenses		(609)	(541)
Administration expenses		(3,696)	(3,559)
Regulatory and registration expenses		(1,042)	(1,253)
Finance expenses		(7)	(24)
Other expenses		(1,077)	(1,018)
Profit before income tax expense		2,463	2,301
Income tax expense	5(a)	(643)	(732)
Profit for the year		1,820	1,569
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss, net of income tax			
Exchange differences on translating foreign operations	21	(6)	(61)
Total comprehensive income for the year		1,814	1,508
Profit for the year attributable to:			
Owners of the parent		1,820	1,569
Total comprehensive income for the year attributable to:			
Owners of the parent		1,814	1,508
<i>Earnings per share:</i>			
Basic (cents per share)	23	3.1	2.7
Diluted (cents per share)	23	3.1	2.7

Consolidated Statement of Financial Position as at 30 June 2017

	Note	30 June 2017 \$'000	30 June 2016 \$'000
Current Assets			
Cash and cash equivalents	29(a)	1,691	5,620
Trade and other receivables	8	5,232	7,520
Inventories	9	2,424	2,667
Current tax receivable	5(c)	209	-
Other	10	323	244
Total Current Assets		9,879	16,051
Non-Current Assets			
Property, plant and equipment	12	6,637	2,614
Deferred tax assets	5(d)	1,282	1,928
Goodwill	13	8,874	8,874
Other intangible assets	14	15,092	11,772
Total Non-Current Assets		31,885	25,188
Total Assets		41,764	41,239
Current Liabilities			
Trade and other payables	15	2,737	2,518
Borrowings	16	146	143
Provisions	17	346	254
Current tax liabilities	5(c)	-	4,124
Other	19	2,077	1,772
Total Current Liabilities		5,306	8,811
Non-Current Liabilities			
Borrowings	16	283	338
Provisions	18	159	114
Other	19	14,416	12,951
Total Non-Current Liabilities		14,858	13,403
Total Liabilities		20,164	22,214
Net Assets		21,600	19,025
Equity			
Issued capital	20	15,008	11,916
Reserves	21	264	257
Retained earnings	22	6,328	6,852
Total Equity		21,600	19,025

Consolidated Statement of Changes in Equity for the Financial Year Ended 30 June 2017

2017	Issued capital \$'000	Retained earnings \$'000	Employee equity settled benefits reserve \$'000	Foreign currency translation reserve \$'000	Total \$'000
<i>Opening balance</i>	11,916	6,852	318	(61)	19,025
Profit for the year	-	1,820	-	-	1,820
Other comprehensive income for the year, net of income tax	-	-	-	(6)	(6)
Total comprehensive income for the year	-	1,820	-	(6)	1,814
Share based payments	-	-	13	-	13
Dividends paid	-	(2,344)	-	-	(2,344)
Shares issue as part of ESS	2,000	-	-	-	2,000
Dividends reinvested in the form of shares	1,107	-	-	-	1,107
Equity raising costs	(15)	-	-	-	(15)
Closing balance	15,008	6,328	331	(67)	21,600

Financial Year Ended 30 June 2016

2016	Issued capital \$'000	Retained earnings \$'000	Employee equity settled benefits reserve \$'000	Foreign currency translation reserve \$'000	Total \$'000
<i>Opening balance</i>	10,946	6,440	-	21	17,407
Profit for the year	-	1,569	-	-	1,569
Other comprehensive income for the year, net of income tax	-	-	-	(82)	(82)
Total comprehensive income for the year	-	1,569	-	(82)	1,487
Share based payments	-	-	318	-	318
Dividends paid	-	(1,157)	-	-	(1,157)
Shares issue related to business acquisition	440	-	-	-	440
Dividends reinvested in the form of shares	534	-	-	-	534
Equity raising costs	(4)	-	-	-	(4)
Closing balance	11,916	6,852	318	(61)	19,025

Notes to the financial statements are included on pages 42-67

Consolidated Statement of Cash Flows for the Financial Year Ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
<i>Cash flows from operating activities</i>			
Receipts from customers		14,704	12,689
Payments to suppliers and employees		(14,049)	(11,050)
Receipts from government grants		347	-
Upfront and milestone payments received		7,350	10,858
Interest paid		(7)	(24)
Income tax paid		(4,334)	(406)
Net cash generated by operating activities	29(b)	4,011	12,067
<i>Cash flows from investing activities</i>			
Interest received		11	22
Payments for plant and equipment		(4,353)	(1,421)
Payments for other intangible assets		(4,324)	(2,724)
Payments for business acquisition		-	(2,029)
Net cash used in investing activities		(8,666)	(6,152)
<i>Cash flows from financing activities</i>			
Dividends paid (net of DRP)	24	(1,238)	(623)
Proceeds from the issue of shares		2,000	-
Share issue transaction costs		(15)	(4)
Payments for hire purchase finance	16	(52)	(92)
Repayment of borrowings	16	-	(538)
Net cash generated by/(used in) financing activities		695	(1,257)
<i>Net (decrease)/increase in cash and cash equivalents</i>		(3,960)	4,658
<i>Cash and cash equivalents at the beginning of the financial year</i>		5,620	954
Effects of exchange rate changes on the balance of cash held in foreign currencies		31	8
<i>Cash and cash equivalents at the end of the financial year</i>	29(a)	1,691	5,620

Notes to the financial statements are included on pages 42-67



Notes to the Financial Statements

for the Financial Year Ended 30 June 2017

1. Significant accounting policies

Statement of Compliance

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

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

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

The financial statements were authorised for issue by the directors on 18 August 2017.

Basis of Preparation

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value

for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

Basis of consolidation

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

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and



to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

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

Significant accounting policies

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

(a) Borrowings

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

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

(b) Cash and cash equivalents

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

(c) Employee benefits

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

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

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

(d) Financial assets

Loans and receivables

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

Interest income is recognised by applying the effective interest rate.

Impairment of financial assets

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

(e) Financial instruments issued by the company

Debt and equity instruments

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

Transaction costs on the issue of equity instruments

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

Interest and dividends

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

(f) Foreign currency

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

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at

the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

(g) Goods and services tax

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

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

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

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

(h) Goodwill

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

(i) Government grants

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

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

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

(j) Impairment of assets

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

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the



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

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

(k) Income tax

Current tax

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

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

Deferred tax

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled,

based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax for the period

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

(l) Intangible assets

Patents, trademarks and licenses

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

Research and development costs

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

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

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

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

Registration costs

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

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

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

Brandnames

Brandnames arising on acquisition of a business are carried at cost as established at the date of acquisition of the business less any applicable impairment charge (if any). They are not amortised but subject to annual tests for impairment. For the purposes of impairment testing, brandnames are allocated to the relevant Group cash generating unit to which they relate.

(m) Inventories

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

(n) Leases

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

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

(o) Financial Liabilities

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

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

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

(p) Plant and equipment

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

Depreciation

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

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

Leasehold improvements	5 years
Plant and equipment	4 -10 years

(q) Provisions

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

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



present obligation, its carrying amount is the present value of those cashflows.

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

Dividends

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

(r) Revenue recognition

Sale of goods

Revenue from the sale of goods is recognised when the company has transferred to the buyer the significant risks and rewards of ownership of the goods. Settlement and volume discounts granted to customers are accounted as offsets against sales. Management is assessing the impact on the above of the new AASB 15 'Revenue from Contracts with customers' accounting standard with no material changes anticipated.

Interest income

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

(s) Share based payments

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of options that will eventually vest. Details regarding the fair value of equity-settle share based transactions are set out in note 32.

The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line based over the vesting period, based on the Group's estimated of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest and the impact of any revision on the original estimates is also recognised in the profit and loss.

(t) Research and development recoveries

R&D tax credits receivable as compensation for expenses or losses already incurred by the Company with no future related costs are recognised in profit or loss in the period in which they are quantified and become receivable.

The company applies the income tax approach for the accounting and presentation of the R&D tax credit. Accordingly, the tax benefit is presented as a reduction of income tax expense in the Statement of Profit or loss and other Comprehensive Income.

(u) Application of new and revised Accounting Standards

In the current year, the Group has applied an amendment to AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2016, and therefore relevant for the current year end:

- AASB 1057 Application of Australian Accounting Standards and AASB 2015-9 Amendments to Australian Accounting Standards - Scope and Application Paragraphs;
- AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation;
- AASB 2015-1 Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle; and
- AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to MSB 101.

The application of these amendment does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Changes in accounting policy since the most recent interim financial report

In accordance with AASB138 'Intangible Assets', the Group has voluntarily changed its account policy in relation to capitalising deferred registration costs during the current year. The Group now capitalises specific internal labour time spent on select Regulatory and Clinical Development projects, rather than expensing them to the income statement which has been the historical practice. This change in policy is being applied from 1 July 2016 and has resulted in the capitalisation of approximately \$431,823 of time over the 12-month period. This includes \$205,085 of internal labour cost that was initially expensed in the interim financial Report for the 6 months ended 31 December 2016 and has now been restated and capitalised for the full year.

Standards and Interpretations in issue not yet adopted

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments'	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective Date of AASB 15', and AASB 2016-3 'Amendments to Australian Accounting Standards – Clarifications to AASB 15'	1 January 2018	30 June 2019
AASB Interpretation 22 'Foreign Currency Transactions and Advance Consideration'	1 January 2018	30 June 2019
AASB 16 'Leases'		30 June 2020
AASB 2017-2 'Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle'	1 January 2018	30 June 2019
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018
AASB 2015-10 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128'	1 January 2018	30 June 2019
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018

2. Critical accounting judgements and key sources of estimation uncertainty

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

Impairment of goodwill

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

The carrying amount of goodwill at the balance sheet date was \$8,874,000 (2016: \$8,874,000). Details of the impairment calculation are provided in note 13.

Useful life of capitalised registration costs

Capitalisation of other intangible assets requires judgement by management to determine whether:

- Expenditure relates to development activity and not research activity,
- Expected future economic benefits attributable to the intangible assets will flow to the Group,
- The timing of the commencement of the amortisation of the asset which should commence when revenue has been generated, and
- The useful lives assigned to each individual category are appropriate.

Details of the other intangible assets are provided in Note 14.

Useful life of plant and equipment

Refer note 1(p) for further discussion on useful life assessments relating to plant and equipment.

Deferred tax assets

The carrying amount of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will eventuate to enable recovery of the asset.

Going Concern

The FY17 Financial statements have been prepared on a going concern basis. The going concern assumption continues to apply to Medical Developments International Ltd as at 30 June 2017 as the Group is profitable, generates positive operating cash flows, has negotiated an extension and increase to its external loan facility balance and continues to be in a positive net asset position, which enables the Group to meet its debts and obligations as and when they fall due.

Share Based Payments

Refer note 1(s) for further discussion on judgements made affecting share based payments.

3. Segment information

Products and services within each business segment

For management purposes, the company is organised into three business units – Pharmaceuticals, Medical Devices and Veterinary products. These units are the basis on which the company reports its primary segment information. The principal products and services of each of these divisions are as follows:

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

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

There have also been no sales between reportable segments.

Segment revenues and results

	Pharmaceuticals		Medical Equipment		Veterinary Equipment		Unallocated		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Revenues										
External revenue (gross)	11,029	10,043	7,195	4,967	680	485			18,904	15,495
Sales discounts and claims	-	-	(557)	(24)	-	-			(557)	(24)
Total external revenue (net)	11,029	10,043	6,638	4,943	680	485	-	-	18,347	15,471
Results										
Segment results	5,288	4,782	712	589	244	186			6,244	5,557
Unallocated							(2,452)	(2,159)	(2,452)	(2,159)
Profit before interest, income tax Depreciation & Amortisation	5,288	4,782	712	589	244	186	(2,452)	(2,159)	3,792	3,398
Depreciation & Amortisation	(1,086)	(868)	(143)	(129)	(16)	(15)	(88)	(83)	(1,333)	(1,095)
Profit before interest and tax	4,202	3,914	569	460	228	171	(2,540)	(2,242)	2,459	2,303
Net Interest	4,202						4	(2)	4	(2)
Profit before income tax expense							(2,536)	(2,244)	2,463	2,301
Income tax expense							(643)	(732)	(643)	(732)
Net profit for the period from continuing operations							(3,179)	(2,976)	1,820	1,569
Assets and Liabilities										
Assets	26,415	22,319	9,813	9,736	1,063	1,064	4,473	8,120	41,764	41,239
Liabilities	-	-	-	-	-	-	20,164	22,214	20,164	22,214
Other Segment Information										
Acquisition of segment assets	8,141	3,630	481	211	64	29	728	274	9,414	4,144

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

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

Revenue from major products and services

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

Geographical information

The Group operates in two principal geographical areas: Australia (country of domicile); and 'International' comprising predominately Europe, North America, Middle East, Asia and South Africa.

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

Geographical Information	Revenue from external customers 2017 \$'000	%	Revenue from external customers 2016 \$'000	%
Australia	10,557	55.8	9,147	59.0
International	8,347	44.2	6,348	41.0
	18,904	100.0	15,495	100.0



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

Non-Current Segment Assets	Australia \$'000	Overseas \$'000	Total \$'000
Leasehold improvements at cost	200	-	200
Plant and equipment at cost	6,159	278	6,437
Goodwill at gross carrying amount	8,874	-	8,874
Other intangible assets at cost	15,092	-	15,092
Deferred tax asset	1,195	87	1,282
	31,520	365	31,885

Information about major customers

The Group had no individual customers who contributed 10% or more to the Group's total 2017 sales revenue.

4. Items included in profit and loss

	2017 \$'000	2016 \$'000
(a) Revenue and other income		
Gross revenue from sale of goods	17,003	14,397
Sales discounts and claims	(557)	(24)
Upfront and milestone income	1,901	1,098
Total Revenue (net)	18,347	15,471
Interest revenue - bank deposits	11	22
	18,358	15,493
(b) Expense items included in profit and loss		
Profit before income tax has been arrived at after charging the following expenses:		
Depreciation of non-current assets	(330)	(286)
Amortisation of non-current assets	(1,004)	(810)
Research & development costs immediately expensed	(111)	(77)
Operating lease rental expenses - minimum lease payments	(321)	(292)
Share based payments (equity settled)	(13)	(318)
Loss on foreign currency transactions	(196)	(48)
Finance Expenses		
Interest on bank loans	-	(10)
Interest on other loans/hire purchase arrangements	(7)	(14)
	(7)	(24)
Employee benefit expense:		
Short-term employee benefits	(3,893)	(3,058)
Superannuation contributions	(525)	(426)

5. Income Taxes

	2017 \$'000	2016 \$'000
<i>(a) Income tax recognised in profit or loss</i>		
Tax expense comprises:		
Current tax expense	589	685
Adjustments recognised in the current year in relation to the current tax of prior year	54	47
Deferred tax expense relating to the origination and reversal of temporary differences	-	-
Total tax expense	643	732

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

Profit from operations	2,463	2,301
Income tax calculated at 30%	739	690
Research & development expense	(133)	(82)
Effect of expenses that are not deductible in determining taxable profit	6	99
Adjustments recognised in the current year in relation to the current tax of prior year	54	47
Effect of profit or loss items eliminated on consolidation	(11)	(11)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(12)	(11)
Income tax expense recognised in the Statement of Profit or Loss and Other Comprehensive Income	643	732

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

(b) Income tax recognised directly in equity

No current and deferred tax amounts have been charged directly to equity during the period (2016: \$nil)

(c) Current tax assets/liabilities

Income tax receivable/(payable)	209	(4,124)
---------------------------------	-----	---------

MVP has received substantial upfront payments during the current year and for tax purposes these are deemed as assessable on a cash received basis or when unconditional entitlement arises. This has resulted in the recognition of a net deferred tax asset.

(d) Deferred tax asset (non-current)

Temporary differences	1,282	1,928
------------------------------	--------------	--------------

(e) Deferred tax liabilities

Temporary differences	-	-
-----------------------	---	---



2017	Opening balance \$'000	Charged to income \$'000	Closing balance \$'000
Deferred tax assets/(liabilities):			
Accrued expenses	135	(4)	131
Deferred revenue	4,417	531	4,948
Other assets	-	-	-
Other Intangibles	(2,998)	(1,105)	(4,103)
Property, Plant & Equipment	8	(6)	2
Provisions	209	67	276
Tax losses	87	(36)	51
Unrealised foreign exchange losses	70	(93)	(23)
	1,928	(646)	1,282

2016	Opening balance \$'000	Charged to income \$'000	Closing balance \$'000
Deferred tax assets/(liabilities):			
Accrued expenses	192	(57)	135
Deferred revenue	95	4,322	4,417
Other assets	(2)	2	-
Other Intangibles	(2,027)	(971)	(2,998)
Property, Plant & Equipment	12	(4)	8
Provisions	142	67	209
Tax losses	-	87	87
Unrealised foreign exchange losses	28	42	70
	(1,560)	3,488	1,928

6. Key management personnel compensation

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

	2017 \$'000	2016 \$'000
Short-term employee benefits	867	703
Post employment benefits	92	81
Long term employee benefits	15	15
Share based payments	13	318
	987	1,117

7. Remuneration of auditors

	2017 \$	2016 \$
<i>Auditor of the parent entity</i>		
Audit or review of the financial report	82,685	84,530
Taxation services	20,675	36,875
Other services	5,400	50,000
	108,760	171,405

The auditor of the entity is Deloitte Touche Tohmatsu. The other services relate to additional assurance services.

8. Current receivables

	2017 \$'000	2016 \$'000
Trade receivables	5,122	3,396
Other debtors	-	4,032
Allowance for doubtful debts	-	-
GST recoverable	110	92
	5,232	7,520

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

Included in the trade receivable balance are debtors with a carrying amount of \$109,640 (2016: \$124,323) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of past due but not impaired	2017 \$'000	2016 \$'000
60-90 days	26	48
> 90 days	83	76
Total	109	124

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

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

9. Current inventories

	2017 \$'000	2016 \$'000
Raw materials:		
At cost	1,115	1,041
Work in progress:		
At cost	331	480
Finished goods:		
At cost	978	1,166
Provision for obsolescence	-	(20)
	2,424	2,667

The provision for obsolescence at 30 June 2016 represented predominantly obsolete packing materials.

10. Other current assets

	2017 \$'000	2016 \$'000
Prepayments	319	244
Other receivables	4	-
	323	244



11. Subsidiaries

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

Name of Subsidiary	Principle activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			30 June 2017	30 June 2016
Medical Developments UK Limited	Distribution of medical devices	United Kingdom	100%	100%
Medical Developments USA Inc.	Distribution of medical devices	United States of America	100%	100%

12. Property, plant & equipment

	Leasehold improvements at cost \$'000	Manufacturing Facility	Plant and equipment at cost \$'000	Total \$'000
Gross carrying amount				
Balance at 30 June 2015	619	-	3,437	4,056
Additions	44	-	1,376	1,420
Disposals	(248)	-	(4)	(252)
Balance at 30 June 2016	415	-	4,809	5,224
Additions	80	-	4,273	4,353
Transfers	-	3,818	(3,818)	-
Disposals	-	-	-	-
Balance at 30 June 2017	495	3,818	5,264	9,577
Accumulated depreciation				
Balance at 30 June 2015	(368)	-	(2,166)	(2,534)
Depreciation expense	(75)	-	(210)	(285)
Disposals	205	-	4	209
Balance at 30 June 2016	(238)	-	(2,372)	(2,610)
Depreciation expense	(57)	-	(273)	(330)
Disposals	-	-	-	-
Balance at 30 June 2017	(295)	-	(2,645)	(2,940)
Net book value				
As at 30 June 2016	177	-	2,437	2,614
As at 30 June 2017	200	3,818	2,619	6,637

The manufacturing facility is in the final stages of validation as at 30 June 2017 and is therefore not yet being depreciated.

13. Goodwill

	2017 \$'000	2016 \$'000
Gross carrying amount		
Balance at beginning of financial year	8,874	7,368
Additions	-	1,506
Balance at end of financial year	8,874	8,874
Net book value		
Balance at beginning of financial year	8,874	7,368
Balance at end of financial year	8,874	8,874

During the year, the company assessed the recoverable amount of goodwill and determined that there was no impairment (2016: \$nil).

Allocation of goodwill to cash-generating units

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

	2017 \$'000	2016 \$'000
Pharmaceuticals	3,808	3,808
Medical devices	4,485	4,485
Veterinary equipment	581	581
	8,874	8,874

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

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

Pharmaceuticals:	12.5% based on expansion into new markets
Medical devices:	15% based on expansion of existing markets
Veterinary equipment:	7.5% based on expansion of existing markets

A terminal value after 5 years based on a long-term growth rate of 2.5%, and a pre-tax discount rate of 14.64% per annum (2016: 12.24% per annum) have been used to calculate the carrying value of the intangible assets.

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

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

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





14. Other intangible assets

2017	Development \$'000	Patents & trademarks \$'000	Capitalised registration costs \$'000	Brandnames \$'000	Other \$'000	Total \$'000
Gross carrying amount						
Balance at 30 June 2015	1,593	448	7,642	-	63	9,746
Additions	381	118	1,644	738	581	3,462
Balance at 30 June 2016	1,974	566	9,286	738	644	13,208
Additions	47	189	3,865	-	223	4,324
Balance at 30 June 2017	2,021	755	13,151	738	867	17,532
Accumulated amortisation						
Balance at 30 June 2015	(119)	(177)	(330)	-	-	(626)
Amortisation expense	(87)	(49)	(621)	-	(53)	(810)
Balance at 30 June 2016	(206)	(226)	(951)	-	(53)	(1,436)
Amortisation expense	(88)	(65)	(762)	-	(89)	(1,004)
Balance at 30 June 2017	(294)	(291)	(1,713)	-	(142)	(2,440)
Net book value						
As at 30 June 2016	1,768	340	8,335	738	591	11,772
As at 30 June 2017	1,727	464	11,438	738	725	15,092

The amortisation charge for the year of \$1,004,000 (2016: \$810,000) has been included in administration expenses. For an explanation of amortisation periods refer Note 1(l).

15. Current trade and other payables

	2017 \$'000	2016 \$'000
Trade payables (i)	1,785	1,989
Accrued expenses	899	491
Employee benefits payable	51	37
PAYG withholding tax payable	2	1
	2,737	2,518

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

16. Borrowings

	2017 \$'000	2016 \$'000
Secured - at amortised cost		
Hire Purchase (i)	39	82
Hire Purchase (ii)	17	37
Bank Bill (iii)	-	-
Other (iv)	373	362
	429	481
Current	146	143
Non-current	283	338
	429	481

Summary of borrowing arrangements

- (i) On 1 March 2013 the Group entered into a commercial loan agreement to fund the purchase of a new bottling station. The current weighted-average effective interest rate on the loan is 6.78% p.a. The agreement is secured by a registered charge over the equipment.
- (ii) On 4 September 2013 the Group entered into a Hire Purchase Agreement in relation to plant and equipment. The term is 5 years and the current weighted average effective interest rate on the loan is 6.45%. The agreement is secured by a registered charge over the equipment financed.
- (iii) The Bank Bill Facility with a variable interest rate and 90 day roll over period was renegotiated during the year. As at 30 June 2017, the facility is unused. The Bank Bill is secured by a registered charge over all of the Group's assets.
- (iv) On 29 June 2012, the group entered into an agreement with the Commonwealth Scientific and Industrial Research Organisation ('CSIRO') to fund the development of a new production process for the pain relieving ingredient used in Pentrox®. Funding is receivable at the commencement of each of three stages of development and is payable over a three year term upon the completion of the relevant stage. As at 30 June 2017, the stage 1a and 1b are complete. Should MDI default on the loan, CSIRO has the option to convert the debt into shares in MDI at fair market value. This funding is interest-free until the first anniversary of the completion of stages 1a and 2 and is then calculated at the Westpac Bank Lending Rate at the date the relevant note was issued, plus 2%. The funding for stage 2 is interest free.
- (v) The Group has an overdraft facility of \$200,000. As at 30 June 2017, this remains unused.

17. Current provisions

	2017 \$'000	2016 \$'000
Employee benefits	346	254

18. Non-current provisions

	2017 \$'000	2016 \$'000
Employee benefits	159	114

The company has 53.00 full time equivalent employees at 30 June 2017 (2016: 42.35)

19. Other liabilities

	2017 \$'000	2016 \$'000
Revenue received in advance	15,886	14,431
Unearned government grant income	607	292
	16,493	14,723
Current	2,077	1,772
Non-current	14,416	12,951
	16,493	14,723

MVP has received additional upfront and milestone payments during the current year. For accounting purposes these non-refundable payments are deferred and amortised into the income statement over the term of the agreement to which the payments relate. As at 30 June 2017 \$15.886m remains unamortised.

Unearned government grant income represents funds received through the Commercial Ready Programme from the Federal Government and Futures Industries Manufacturing Program of the Victorian State Government.

20. Issued Capital

20(a) Fully paid ordinary shares

	2017 No.	2017 \$'000	2016 No.	2016 \$'000
Fully paid ordinary shares				
Balance at beginning of financial year	57,960,056	11,916	57,725,143	10,946
Shares Issued - Business Acquisition	-	-	117,894	440
Shares Issued - Dividends Reinvestment Plan	215,120	1,107	117,019	534
Share issued - Employee Share Scheme	800,000	2,000	-	-
Capital raising costs	-	(15)	-	(4)
Balance at end of financial year	58,975,176	15,008	57,960,056	11,916

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

20(b) Share options granted under the CEO Long Term Incentive Plan

At 30 June 2017, there are no options over ordinary shares of the Company. Share options granted to the CEO carry no rights to dividends and no voting rights.

	2017 \$'000	2016 \$'000
(b) Employee equity-settled benefits reserve		
Balance at beginning of year	318	-
Share-based payment recognised	13	318
Balance at end of year	331	318

The above equity settled employee benefits reserve related to share options granted by the company to its CEO under its employee share option plan. Further information about share-based payments to employees is set out in note 32.

21. Reserves

	2017 \$'000	2016 \$'000
(a) Foreign currency translation reserve		
Balance at beginning of year	(61)	21
Exchange differences arising on translating the foreign operations	(6)	(82)
Balance at end of year	(67)	(61)

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

22. Retained earnings

	2017 \$'000	2016 \$'000
Balance at beginning of financial year	6,852	6,440
Dividends paid	(2,344)	(1,157)
Net profit attributable to members	1,820	1,569
Balance at end of financial year	6,328	6,852

23. Earnings per share

	2017 Cents per share	2016 Cents per share
Basic earnings per share	3.1	2.7
Diluted earnings per share	3.1	2.7

Basic earnings per share

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

	2017 \$'000	2016 \$'000
Earnings	1,820	1,569

	2017 No.	2016 No.
Weighted average number of ordinary shares	58,711,471	58,033,622

Diluted earnings per share

Earnings used in the basic earnings per share calculation are identical to those used for the diluted earnings per share calculation. There are no potentially dilutive options outstanding as at 30 June 2017.

	2017 No.	2016 No.
Weighted average number of ordinary shares used in the calculation of basic EPS	58,711,471	57,798,709
Shares deemed to be issued for CEO LTIP - Tranche 1 and 2	-	340,844
Weighted average number of ordinary shares for diluted EPS	58,711,471	58,139,553

24. Dividends

An interim dividend of 2 cents per share was declared and paid in the current year and a final dividend of 2 cents per share was declared in respect of the full year ended 30 June 2017.

The interim dividend paid during the 30 June 2017 year resulted in the company paying dividends of \$641,000 and the balance of \$536,000 issued as shares under the Dividend Reinvestment Plan.

The 2016 full year dividend paid during the 30 June 2017 year resulted in the company paying dividends of \$596,000 and the balance of \$571,000 issued as shares under the Dividend Reinvestment Plan

	2017		2016	
	cents per share	\$'000	cents per share	\$'000
Recognised amounts				
<i>Fully paid ordinary shares</i>				
Interim dividend - fully franked	2.0	1,167	2.0	1,157
2016 full year dividend - fully franked	2.0	1,177	-	-
	4.0	2,344	2.0	1,157
Unrecognised amounts				
<i>Fully paid ordinary shares</i>				
Final dividend - fully franked	2.0	1,180	2.0	1,167
		1,180		1,167

	2017 \$'000	2016 \$'000
Adjusted franking account balance	3,127	4,134

25. Operating leases

Operating leases primarily relate to factory leases with remaining lease terms ranging from 1.5 to 8.5 years. The company does not have the option to purchase the leased asset at the expiry of the lease period.

	2017 \$'000	2016 \$'000
Non cancellable operating lease payments:		
Not longer than 1 year	373	108
Longer than 1 year and not longer than 5 years	1,348	1,331
Greater than 5 years	1,203	1,540
	2,924	2,979

26. Commitments for expenditure

(a) Capital expenditure commitments

There were no capital expenditure commitments at 30 June 2017.

27. Related party disclosures

There were no related party transactions during the 2017 financial year.

Balances and transactions between the Company and its subsidiaries which are related parties of the company have been eliminated on consolidation and are not disclosed in this note.

28. Subsequent events

In August 2017, the Company signed an unconditional Term Sheet with its financiers to extend its Bank Bill Facility. The initial facility for \$5m was due to expire in October 2018. The new facility will increase to \$11m and will extend to August 2019.

On the 18th August 2017 the Board of Directors declared a fully franked final dividend of 2 cents per share to the holders of fully paid ordinary shares as at the record date of 1 September 2017, to be paid to the shareholders on the 6 October 2017. This dividend has not been included as a liability in these financial statements.

There has not been no other matter or circumstance that has arisen that has significantly affected, or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future years.

29. Notes to the Consolidated Statement of Cash Flows

	2017 \$'000	2016 \$'000
(a) Reconciliation of cash and cash equivalents		
For the purposes of the Consolidated Statement of Cash Flows, cash includes cash on hand and in banks. Cash at the end of the financial year as shown in the Consolidated Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:		
Cash and cash equivalents	1,691	5,620
	1,691	5,620
(b) Reconciliation of profit for the period to net cash flows from operating activities		
Profit for the period	1,820	1,569
Interest received	(11)	(22)
Depreciation and amortisation of non-current assets	1,334	1,096
Net unrealised foreign exchange (gain)/loss	(53)	202
Share based payments	13	318
Loss on disposal of property, plant and equipment	-	6
Increase/(decrease) in tax payable	(4,333)	3,830
Decrease/(increase) in deferred tax asset	646	(3,488)
<i>Movements in working capital</i>		
Decrease/(increase) in assets:		
Current receivables	2,288	(5,701)
Current inventories	243	(780)
Other current assets	(79)	(69)
Increase/(decrease) in liabilities:		
Current payables	219	1,258
Current provisions	92	39
Other liabilities	1,787	13,789
Non-current provisions	45	21
Net cash from operating activities	4,011	12,067
(c) Financing facilities		
Unsecured bank overdraft facility, reviewed annually and payable at call:		
Amount unused	200	200
	200	200
Bank bill facility with a 90 day roll over period:		
Amount used	-	-
Amount unused	4,440	2,960
	4,440	2,960

30. Financial Instruments

(a) Capital risk management

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

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

The Group's Audit and Risk Committee reviews the capital structure of the Group on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The gearing ratio at 30 June 2017 is -6% (see below).

	2017 \$'000	2016 \$'000
Debt (i)	429	481
Cash and bank balances	(1,691)	(5,620)
Net debt / (cash)	(1,262)	(5,139)
Equity (ii)	21,600	19,025
Net debt to equity ratio	-6%	-27%

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

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

The bank bill facility includes financial covenants whereby the operating leverage ratio must be no higher than 2.50 times. Monitoring of said covenants is performed monthly by management and signed off bi-annually by management.

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

(b) Significant accounting policies

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

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

(c) Financial risk management objectives

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

(d) Credit risk management

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

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

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

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

(e) Foreign currency risk management

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

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

	Liabilities		Assets	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
USD	723	1,160	1,765	5,872
GBP	162	524	1,271	1,249
NZD	-	-	253	-
EUR	-	1	148	92
CND	-	5	17	84
	885	1,690	3,455	7,297

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

Foreign currency sensitivity analysis

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

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

	USD Impact	
	2017 \$'000	2016 \$'000
Profit or Loss	(104)	(471)

	GBP Impact	
	2017 \$'000	2016 \$'000
Profit or Loss	(111)	(72)

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

(f) Fair value of financial instruments

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

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

(g) Interest rate risk management

The Group is exposed to interest rate risk as it holds cash at floating interest rates. The following table details the Group's exposure to interest rate risk as at 30 June 2017 and 30 June 2016.

2017	Variable interest rate maturity					
	Average interest rate %	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Non- interest bearing \$'000	Total \$'000
<i>Financial assets</i>			-	-		
Cash	0.02%	1,691	-	-	-	1,691
Receivables	-	-	-	-	5,232	5,232
		1,691	-	-	5,232	6,923
<i>Financial liabilities</i>			-	-		
Payables	-	-	-	-	2,737	2,737
Borrowings	5.04%	146	283	-	-	429
		146	283	-	2,737	3,166



2016	Variable interest rate maturity					
	Average interest rate %	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Non-interest bearing \$'000	Total \$'000
<i>Financial assets</i>						
Cash	0.03%	5,620	-	-	-	5,620
Receivables	-	-	-	-	7,520	7,520
		5,620	-	-	7,520	13,140
<i>Financial liabilities</i>						
Payables	-	-	-	-	2,518	2,518
Borrowings	5.43%	143	338	-	-	481
		143	338	-	2,518	2,999

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

Interest rate risk table

	2017 \$'000	2016 \$'000
Profit or Loss	6	26

(h) Liquidity risk management

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

Liquidity risk table

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

	Weighted average effective interest rate %	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000	Total \$'000
2017					
Payables	-	2,737	-	-	2,737
Borrowings	5.04%	146	283	-	429
		2,883	283	-	3,166
2016					
Payables	-	2,518	-	-	2,518
Borrowings	5.43%	143	338	-	481
		2,661	338	-	2,999

31. Parent Entity Information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

Refer to note 1 for a summary of the significant accounting policies relating to the Group.

Financial Position

	30 June 2017 \$'000	30 June 2016 \$'000
Assets		
Current Assets	10,003	16,419
Non-Current Assets	31,828	25,093
Total Assets	41,831	41,512
Liabilities		
Current Liabilities	3,090	6,958
Non-Current Liabilities	16,934	15,175
Total Liabilities	20,024	22,133
Equity		
Issued capital	15,008	11,916
Reserves	332	318
Retained earnings	6,467	7,145
Total Equity	21,807	19,379

Financial Performance

	2017 \$'000	2016 \$'000
Profit for the year	1,666	1,443
Dividends paid	(2,344)	(1,157)
Other comprehensive income	-	-
Total comprehensive income	(678)	286

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

32. Employee share option plan

32.1 CEO share option plan

The following share-based payment arrangement was introduced in the 30 June 2016 year and vested and exercise or lapsed during the current reporting period.

On 18 January 2016 the company announced it has agreed to a Long Term Incentive Plan "LTIP" with Mr. John Sharman, the CEO of Medical Developments International Limited to encourage his long term commitment to the business.

The key plan features are summarised as follows:

- A grant of 400,000 options with a strike price of \$2.50 but vesting only when the MVP share price has been above \$4.50 at all times for 60 continuous ASX Trading days. These options vested and were exercised on 10 August 2016.
- A grant of 400,000 options with a strike price of \$2.50 but vesting only when the MVP share price has been above \$5.50 for 60 continuous ASX Trading days. These options vested and were exercised on 5 October 2016; and
- A grant of 200,000 options with a strike price of \$2.50 but vesting only when reimbursement is approved for Pentrox® in Germany or Registration is approved in Germany (whichever occurs first). These options lapsed and expired on 31 December 2016.

Each share option converts into one ordinarily share of Medical Developments Limited on exercise. No amounts are paid or payable by the recipient on the receipt of the option nor are they tradeable at any time. The options carried neither rights to dividends or voting rights.

Under the terms of the plan, all outstanding options will be cancelled if Mr. Sharman leaves or is otherwise no longer employed at MVP. When the LTIP delivers an entitlement to an equity interest via the prevailing share price hurdle, Mr. Sharman will have 3 months to exercise the relevant options, after which the relevant options will lapse. In each case, 60% of the new shares issued by exercising options will be escrowed for a period of 12 months from issue date.

There has been no alteration to the terms and conditions of the above share based payment arrangement since grant date.

32.2 Fair value of share options granted during the year

Options with share market price performance hurdles were priced using a Monte Carlo valuation model. The Monte Carlo model estimates the achievement of the vesting hurdles and calculates the present value of the pay off on vesting. It enables specific modelling of the hurdles specified under the plan, in particular the requirement for a share price minimum to be maintained for a specified time. Options with other performance hurdles vesting conditions where the outcome is binary, were priced using a Binomial option pricing model. Where relevant, the expected useful life used in the model has been adjusted based on management's best estimate for the effects of non-transferability and exercise restrictions (including the probability of meeting market conditions attached to the option). Expected volatility is based on the historical share price volatility over the past 2 years.

Inputs into the option pricing model were as follows:

	Tranche 1	Tranche 2	Tranche 3
Grant date share price	\$2.91	\$2.91	\$2.91
Exercise price	\$2.50	\$2.50	\$2.50
Option Fair Value	\$0.42	\$0.52	\$0.00
Expected volatility	56%	50%	56%
Option life	1.1 yrs	1.7 yrs	0.95 yrs
Dividend (Bi-annually)	2c	2c	2c
Risk-free interest rate	1.94%	1.93%	1.94%

32.3 Movement in share options during the year

2017	Balance at 30 June 2016 No.	Granted as remuneration No.	Exercised No.	Lapsed No.	Balance at 30 June 2017 No.	Balance vested at 30 June 2017 but not exercised No.	Balance not vested at 30 June 2017 No.	Options vested during the year No.
J. Sharman	1,000,000	-	(800,000)	(200,000)	-	-	-	-

32.4 Share based payments expense

	2017 \$'000	2016 \$'000
Share-based payments	13	318

33. Additional company information

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

Company Secretary

Mr. Mark Edwards

Registered office and principal place of business

4 Caribbean Drive
Scoresby VIC 3179

Tel: (03) 9547 1888

Web: www.medicaldev.com

A copy of our Corporate Governance Statement can be found at www.medicaldev.com/investors-media

Additional Stock Exchange Information as at 31 August 2017

Number of holders of equity securities

Ordinary share capital

58,975,176 fully paid ordinary shares held by 3,320 individual shareholders. All issued ordinary shares carry one vote per share.

Distribution of holders of equity securities

Fully paid ordinary shares

1 – 1,000	1,140
1,001 – 5,000	1,299
5,001 – 10,000	390
10,001 – 100,000	439
100,001 and over	52
	3,320
Holding less than a marketable parcel	93

SUBSTANTIAL SHAREHOLDERS	Number	%
MR DAVID JOHN WILLIAMS	17,970,388	30.47

TWENTY LARGEST HOLDERS OF EQUITY SECURITIES	Number	%
MR DAVID JOHN WILLIAMS	17,970,388	30.47
HSBC CUSTODY NOMINEES	6,158,271	10.44
J P MORGAN NOMINEES AUSTRALIA	1,674,490	2.84
DR RUSSELL KAY HANCOCK	1,614,214	2.74
NATIONAL NOMINEES LIMITED	1,567,101	2.66
LUJETA PTY LTD	891,256	1.51
MR ALISTAIR DAVID STRONG	630,000	1.07
SANDHURST TRUSTEES	532,423	0.90
MR JOHN SHARMAN	510,312	0.87
HSBC CUSTODY NOMINEES	417,905	0.71
SANDHURST TRUSTEES	416,014	0.71
LONCETA PTY LTD	396,410	0.67
MULLACAM PTY LTD	384,671	0.65
IMAJ PTY LTD	375,000	0.64
MIRRABOOKA INVESTMENTS LIMITED	370,000	0.63
MR RAYMOND WILLIAM WALTER & MR ALEXANDER SCOTT HAGAN	357,000	0.61
BNP PARIBAS NOMS PTY LTD	346,677	0.59
MR MICHAEL GERARD SUGERMAN	300,000	0.51
HOLLYWIND PTY LTD	270,000	0.46
PNSF PTY LTD	255,157	0.43

