Medical Developments International

FULL YEAR REPORT 2019

Financial Year Ended 30 June 2019

(Previous corresponding period: financial year ended 30 June 2018)

CHAIRMAN'S & CEO'S REPORT

A record year for MVP

Medical Developments International Limited ("MDI") (ASX: MVP) reported a **327% increase** in Net Profit after Tax to $1.038m (FY18 $0.243m) for the twelve months ended 30 June 2019. Revenue increased 19% to a record $21.4 million (FY18 $17.9 million) and Earnings Before Interest, Tax, Depreciation and Amortisation **increased 55%** to $3.441m (FY18: $2.223m).

Sales of Penthrox® grew 47% overall and sales to Australian Ambulance grew 38%. Sales into Europe grew 401% and after incurring significant delays, the roll out of Penthrox® in Europe is underway. Sales of Penthrox® into the UK grew 68% and sales into Canada grew 294%.

Respiratory sales were down slightly, driven almost entirely by the issue we had in the UK. Respiratory sales excluding the UK grew 11% globally and USA sales grew 62%. Sales in Australia were lower and sales into New Zealand grew 172%.

GREEN in more ways than one

In December 2018 MVP completed the installation of a 245kW large scale solar PV system at our head office and state of the art manufacturing facility in Scoresby.

The installation involved approximately 600 high wattage panels to maximise energy production and has resulted in MVP being largely self-sufficient in terms of its energy needs during business hours on sunny days between October and March.

The system significantly reduces MVP's CO_2 emissions (saving in excess of 401,218 kg of carbon emissions) and also reduces the energy costs at our Scoresby based facility by in excess of $75k per annum.

Key Achievements for FY19

Penthrox®

- Sales in Europe grew 401%
- Sales into the UK grew 68%
- Global sales grew 47%
- Sales to Australian Ambulance grew 38%
- Regulatory approval in a total of 27 European countries
- Regulatory approval and launches in Hong Kong and Saudi Arabia
- Regulatory approval in Jordan
- Almost 400 new customers in Europe and 1,058 customers in total
- 359 customers in France (FY18: 248)
- 159 new customers in the rest of Europe
- 540 customers in the UK and Ireland (FY18: 385)
- Signed exclusive Penthrox® deal for China and received A$20.8m upfront cash payment
- IND submitted in China
- Regulatory submissions and preparations ongoing in USA, Iran, Iraq, South Korea and Russia
- Progressed the Paediatric Study in the UK and Ireland (nearing 60% recruitment)
- Completed recruitment for the Post Authorisation Safety Study in the UK
- Completed a Phase 1 Pharmacokinetic Study in Europe

Respiratory Medical Devices

- Sales into the USA grew 62%
- Sales in Asia up 111%
- Australian Breath-A-Tech® sales up 9%
- UK/EU sales down 53%

Other

- Raised $24.5m via Institutional Placement and Share Purchase Plan
- CSIRO development project for new manufacturing technologies progressing
- Continued investment in clinical development programs and trials
- Received R&D Tax Incentive concession of $488,000
- Repayment of all bank debt

Penthrox®

United States of America

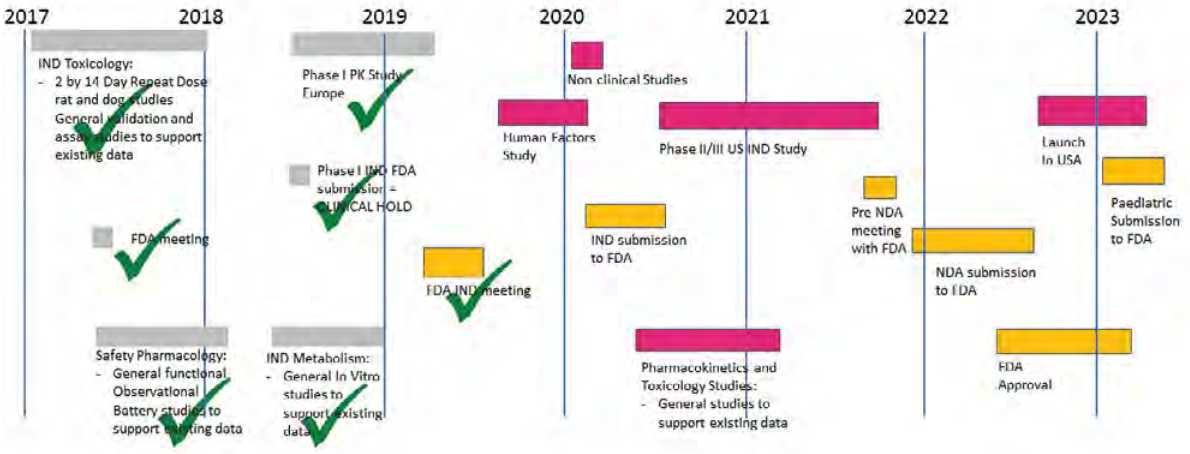
MVP met with the Food and Drug Administration (FDA) in June 2019 and:

- The FDA agreed that a previously mandated animal study to predict idiosyncratic liver reaction to Penthrox® would not be needed.
- MVP agreed to conduct a required animal study that replicates the human dosing regimen for Penthrox®. MVP expects the study to take 6 months to complete.

MVP expects to be in a position to address in full, all the clinical hold issues during the first quarter of 2020 with a view to refiling our IND in mid-2020.

MVP remains confident we will be able to supply the FDA with the additional information it requires. Our confidence is based on 30+ years of experience, the demonstrated safety profile of Penthrox® over that time, the additional clinical data we have to support our IND including our Post Authorisation Safety Study, PK study, our ongoing clinical development program and our recent achievements in getting Penthrox® approved for sale in more than 40 countries around the world.

Penthrox® USA update



Europe

European Penthrox® sales (excluding UK/Ireland) **grew 401%**, despite the frustrating regulatory delays we have incurred over the last 12 months. Whilst initial orders have been placed for several countries, most of Europe is still to launch Penthrox® including Germany, Italy and Spain.

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.

We have 1,058 customers buying Penthrox® in Europe and believe that number will grow to between 5,000 and 10,000 as Penthrox® becomes a mainstream analgesic in every European market.

France

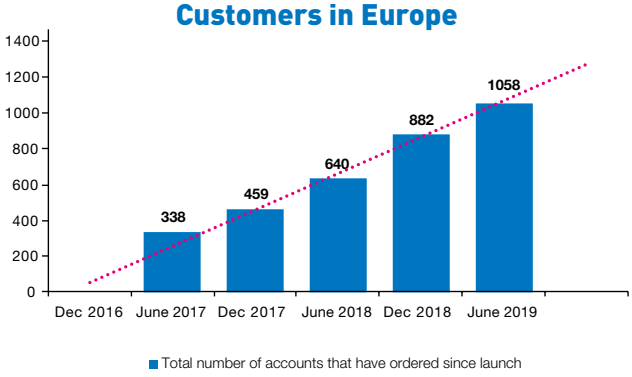
In market sales **grew 55%** in FY19 and feedback from these markets continues to be positive. France now has **359 customers** which are buying and using Penthrox®.

UK and Ireland

In the UK and Ireland, Galen continues to make good progress. Sales to the UK and Ireland are up 68% and in-market sales **grew 86%.** There are now **540 customers** in total using the product. These include seven of the eleven Major Trauma Centres in the UK.

Whilst Penthrox® is being used in all Ambulance Services and major hospitals in Ireland the roll out into UK ambulances continues. This process has been frustratingly slow but the feedback from the Ambulance Services and Galen is that Penthrox® will be a success.

Customers in Europe



Australia

Australian sales of Penthrox® **grew 32%** in FY19 and sales to Ambulance was **up 38%.**

During the year MVP signed an agreement with Mundipharma Australia for the exclusive distribution rights of Penthrox® in Australia. This led to a large stocking order that was delivered in June 19. Even excluding the impact of this, Australian Penthrox® sales still **grew 14%**. Mundipharma's presence in the field is expected to lead to strong sales growth in the short to medium term, particularly within General Practitioner and Hospital channels.

Penthrox® is now sold into more than 200 hospitals and medical clinics in Australia.

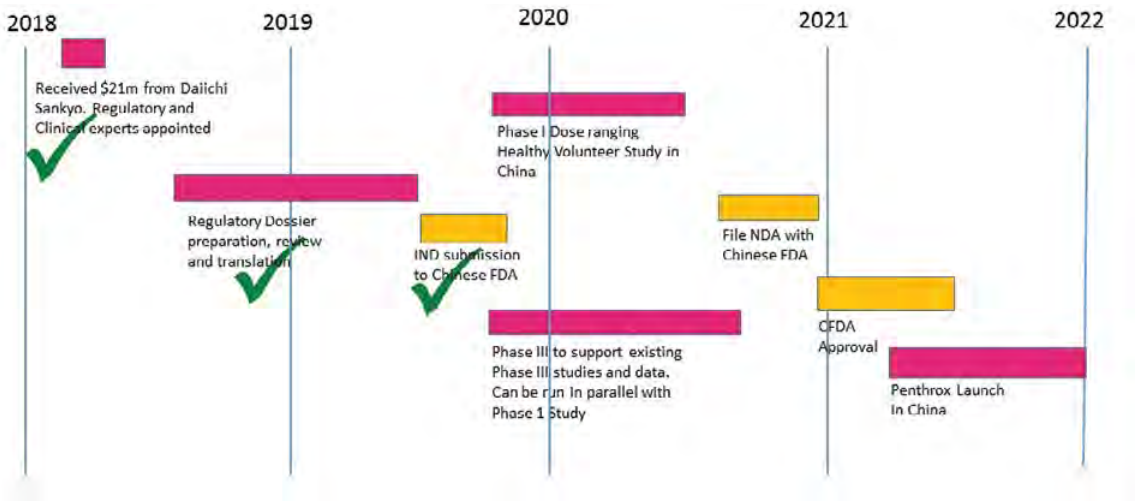
New Zealand

Penthrox® continues to perform strongly in New Zealand since being listed as the first line analgesic for New Zealand ambulance, and Nitrous Oxide being removed as a competitor. Sales to New Zealand **grew 12% in FY19**.

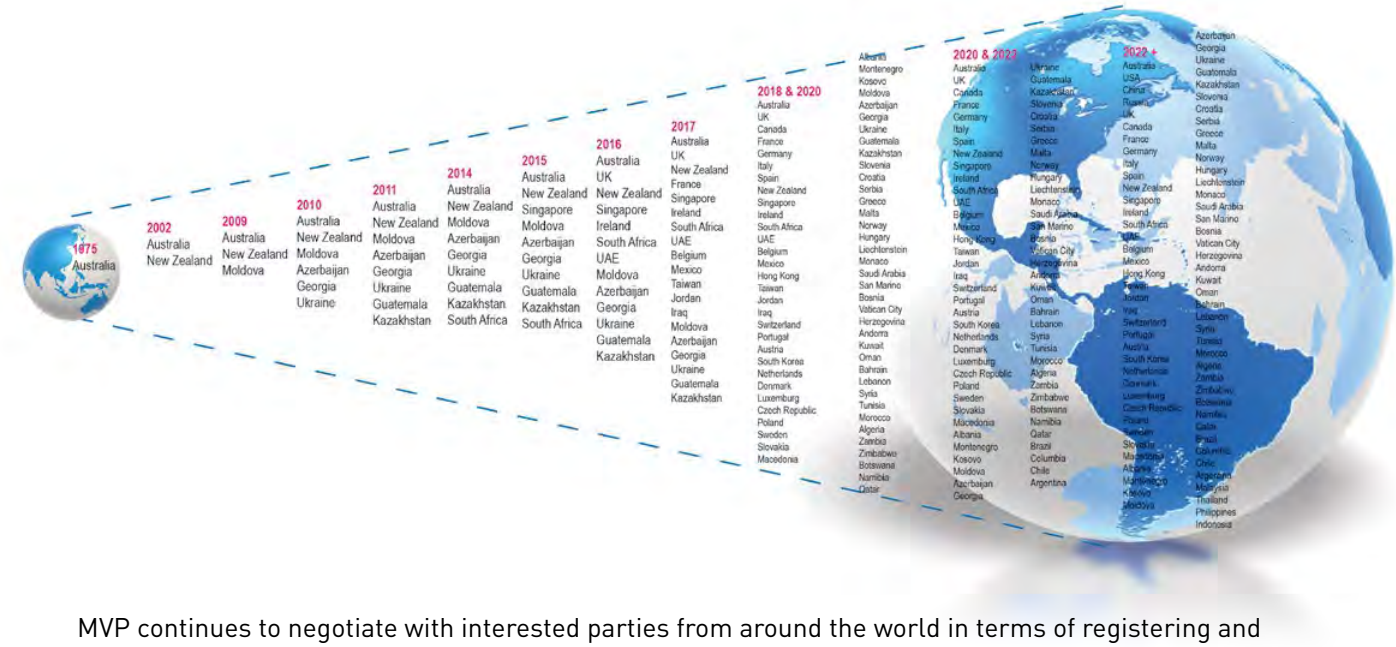
Rest of World

The Chinese Regulatory approval is well underway. The IND has been submitted to the Chinese FDA and we expect to have the IND open during 2019.

Penthrox® clinical program for China



Future for Penthrox®



MVP continues to negotiate with interested parties from around the world in terms of registering and selling Penthrox®, whilst concurrently pursuing other important international regulatory submissions and preparations in countries including USA, China, Russia, Iran, Iraq, Thailand and South Korea.

Respiratory

Respiratory device sales were down **5%** in FY19, driven almost entirely by the issue we had in the UK. Global sales (excluding the UK which declined 53%) **grew 11%.** MVP has restructured the UK business which delivered an improved performance in the second half of FY19 and we anticipate good sales growth in the coming year.

Sales into the USA market **grew 62%** and we continue to build our business in that market. We are well on the way to establishing ourselves as a major supplier of respiratory devices in the USA and we continue to negotiate new distribution deals with some of the larger pharmacy chains in the USA. We expect to deliver significant sales growth in the USA in the years ahead.

Sales of Breath-A-Tech® **grew 9%** in Australia, but that growth was largely offset by a drop in sales from certain distributors. Overall Australian sales were steady whilst sales into New Zealand **grew 172%**.

Sales into Asia **grew 111%.**

Clinical

MVP invested $6.8m in clinical and research programs during FY19 (FY18: $7.1m).

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

a. Paediatrics globally;

b. Minor surgical procedures;

c. Breakthrough post-operative and cancer pain;

d. Repeat use scenarios; and ultimately

e. Home use.

Our partners in Europe have completed one of the required studies in Europe for the Minor Surgical Procedures indication. We believe the global market for Penthrox® in Surgical Procedures is more valuable than the market for Trauma Pain.

MVP is conducting a Pivotal Paediatric Phase III study in the UK and Ireland. Enrolment is steady but slower than we would like due to the nature of young children participating in pain trials. Enrolment has reached 60% and we expect a successful outcome to expand the sales of Penthrox® globally.

MVP has recently completed a Phase 1 Pharmacokinetic Study which characterises how the drug moves through the human body. This 56-patient escalating dose study has been successfully completed and will be invaluable to other registrations around the world including the USA.

Our Post Authorisation Safety Study in the UK has recently completed recruiting with reporting to be finalised in the coming months.

Commercial

New Technology Project

Our ambition is to develop the next generation of manufacturing technologies to make pharmaceutical products at a significantly reduced cost, improved quality, and lower risk compared with traditional processes. In February, MVP announced it has successfully completed a small-scale production run for Lidocaine using MVP's new continuous flow manufacturing technology. Since then we have focussed our efforts and successfully run a series of pilot scale continuous flow production runs proving a successful scale up and commercial viability. We have initiated preliminary discussions with commercial parties to licence or sell the technology and expect to have an outcome during FY20.

Veterinary

Our Vet business fell 18% in FY19, attributed to a launch order in FY18 with one of the USA's largest veterinary medical device companies that was not repeated in FY19. Despite the fall in revenue, the segment continues to be profitable.

FY19 Full Year Result

Gross revenue was a record $21.4m.

Gross margins decreased slightly in FY19 from 68% to 66%, reflecting a higher weighting of international Penthrox® sales that are typically lower margin.

Operating Expenses grew 8% for the period because of increased:

- pharmacovigilance costs as a result of expanding geographic sales base;
- cost of employee share based payments;
- marketing expenses as a result of expanding geographic sales; and
- insurance related costs as a result of increasing industry premiums.

Cash flow

During the year MVP invested:

- $6.8 million in clinical trials and registrations for Penthrox®;
- $1.1 million in our manufacturing development program with the CSIRO; and
- $1.5 million in various manufacturing equipment and leasehold improvements.

Outlook

MVP's ambition is to globalise Penthrox®, and in doing so, make it the mainstream analgesic of choice around the world.

Over the next 12 months we expect to:

- complete role out of Penthrox® into remaining European countries, Mexico, Iran, Jordan, South Korea and Thailand;
- consolidate and grow our Respiratory Device sales in the USA, Europe and elsewhere;
- submit a response to the FDA clinical hold and resubmit our IND for Penthrox® in the USA;
- conclude additional distribution partnerships for Penthrox® and Respiratory Devices for new countries;
- advance work on producing other analgesic and pharmaceutical products using the intellectual property that is our new manufacturing process; and
- continue our clinical program to extend the indication for use of Penthrox® globally.

Over the next few years our global market approvals and "indication extensions" for Penthrox® are expected to deliver strong growth, as will our respiratory device business.

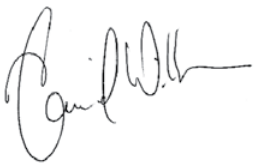
We look forward to reporting our progress and successes.

Further Information:

Medical Developments International

MR JOHN SHARMAN
CHIEF EXECUTIVE OFFICER

+61 3 9547 1888



MR DAVID WILLIAMS
CHAIRMAN

+61 414 383 593

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 and RMA Global Limited. Mr Williams is Chairman of the MVP Remuneration and Nominations Committee.

Mr Max Johnston

Non-Executive Director

Mr Johnston is a non-executive director of Polynovo Limited, Cannpal Animal Therapeutics Limited and a former non-executive Director and Chairman of Probiotec Limited and a former non-executive Director of Enero Group Limited. He is also a Director of Prolife Foods Ltd. 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 MVP Audit & Risk Committee.

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. Mr Powell is also a Non-executive Director of PolyNovo Limited and RMA Global Limited. Philip is Chairman of MDI's Audit and Risk Committee.

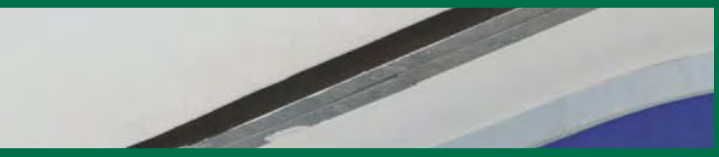
Mr Leon Hoare

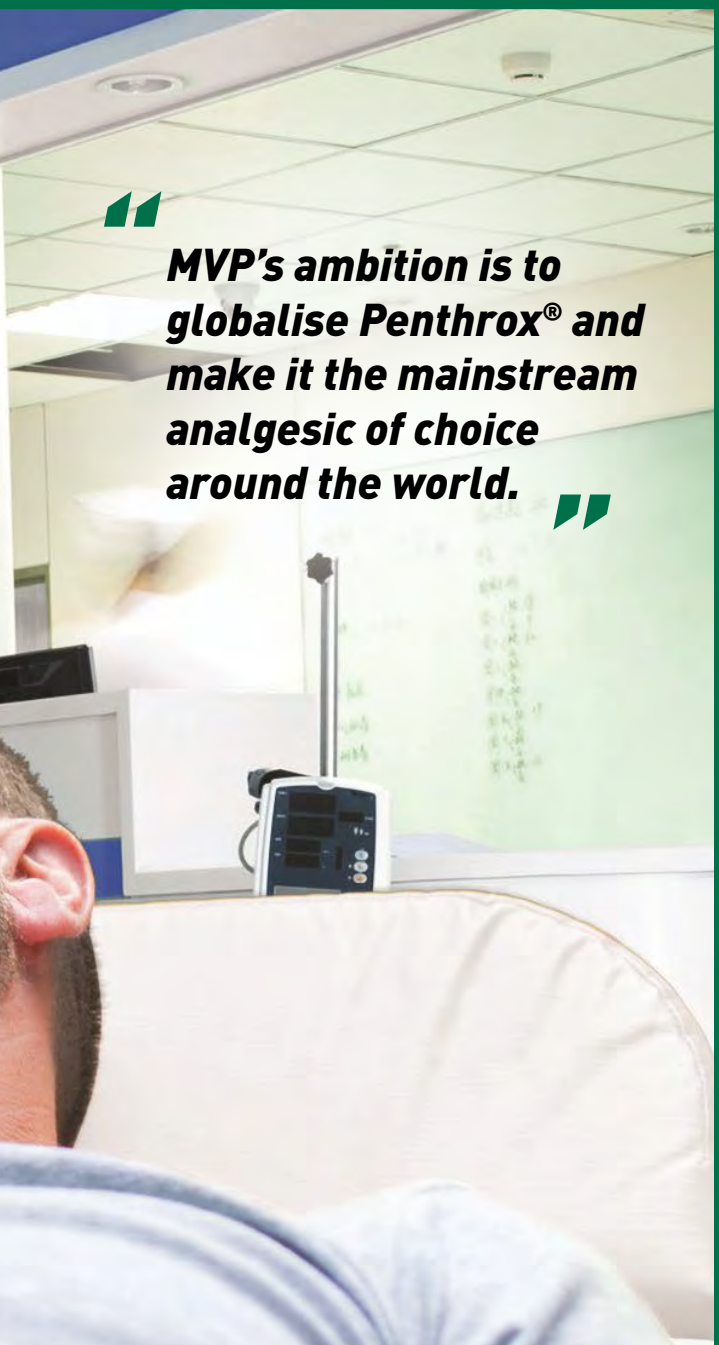
Non-Executive Director

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, 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).

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





MVP's ambition is to globalise Penthrox® and make it the mainstream analgesic of choice around the world.

Product portfolio

Pharmaceutical

Analgesia

- Penthrox®

Medical

Asthma

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

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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Pharmaceutical

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 located Scoresby and 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 Penthrox®. Penthrox® continues to be a core medication 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 Penthrox® is maintained. Moving forward, the strategy is to continue to broaden the range customers (hospitals, general practice, dental and cosmetic) domestically via our partnership with Mundipharma Australia and continue to grow the countries that can be served by Penthrox®. FY20 will see Penthrox® launched into multiple new countries.

Product suite

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


MVP offers a range of open and closed circuit anaesthetic machines to the veterinary market

Veterinary

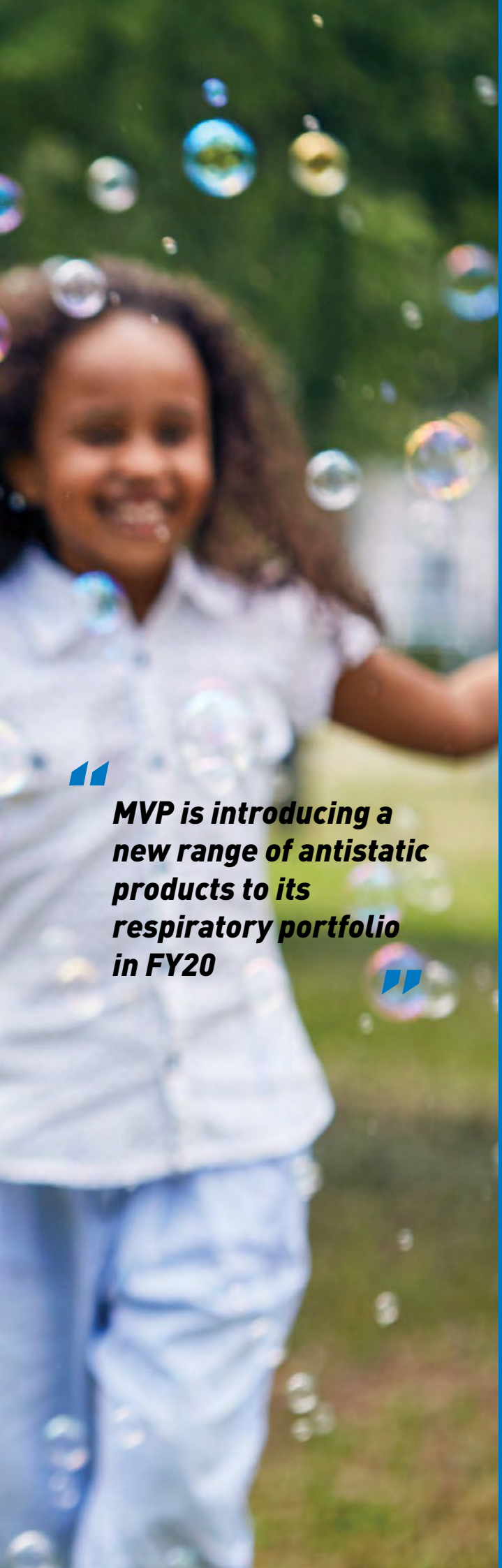
MVP re-invigorates its Veterinary product range

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), MVP expect to continue to expand in Asia and North America via various distributors.



MVP is introducing a new range of antistatic products to its respiratory portfolio in FY20

Medical devices

Building our product range

MVP's focus in FY20 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
- Penthrox® 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 acquisition 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 15,000 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.

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

Oxygen and 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

The market

MVP's oxygen equipment is purchased and used by:

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


AMBULANȚA

FULL YEAR REPORT

Financial Year Ended 30 June 2019

(Previous corresponding period: financial year ended 30 June 2018)

Contents

Directors' Report

The directors of Medical Developments International Limited ("MVP") herewith submit the annual financial report of the company for the financial year ended 30 June 2019. 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 and RMA Global Limited. Mr Williams is Chairman of the MVP Remuneration and Nominations Committee.

Mr R M Johnston

Non-Executive Director (since 5 November 2012)

Mr Johnston is a non-executive director of Polynovo Limited, Cannpal Animal Therapeutics Limited and a former non-executive Director and Chairman of Probiotec Limited and a former non-executive Director of Enero Group Limited. He is also a Director of Prolife Foods Ltd and BARD1 Life Sciences 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 MVP 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, 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. Mr Hoare joined the MVP Remuneration and Nominations Committee post the departure of Mr McCallum. Mr Hoare 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. Mr Powell is also a Non-executive Director of PolyNovo Limited, RMA Global Limited and BARD1 Life Sciences Limited. 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.

Mr A D McCallum Dip.Ag Science, FAICD

Non-Executive Director (appointed 27 October 2003, resigned on 17 December 2018)

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 was a member of the Remuneration and Nominations Committee. He is also Chairman of Tassal Group Ltd and Cann Group Limited.

Dr H F Oxer, AM, ASM, KStJ MA (Hons), MB.BChir (Cantab), MRCS.LRCP, DA, FFARCS, FRCA, FFARACS, FANZCA, FACAP, DipDHM

Non-Executive Director (appointed 28 December 2006, resigned on 19 December 2018)

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.

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
	RMA Global Limited (Chairman)	Since November 2014
Max Johnston	Probiotec Ltd	Until 28 November 2016
	Enero Group Limited	Until 18 October 2016
	Polynovo Limited	Since 13 May 2014
	CannPal Animal Therapeutics Limited	Since 21 April 2017
	BARD1 Life Sciences Limited	Since 17 June 2019
Philip Powell	Polynovo Limited	Since 13 May 2014
	RMA Global Limited	Since 5 April 2018
	BARD1 Life Sciences Limited	Since 17 June 2019
Leon Hoare	Polynovo Limited	Since 27 January 2016
Allan McCallum	Tassal Group Ltd (Chairman)	Since October 2003
	Cann Group Limited (Chairman)	Since 5 May 2017

Company Secretary

Mr Mark Edwards, CA. Mr Edwards is also the Chief Financial Officer 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

United States of America

MVP met with the Food and Drug Administration (FDA) in June 2019 and:

- The FDA agreed that a previously mandated animal study to predict idiosyncratic liver reaction to Penthrox® would not be needed.
- MVP agreed to conduct a required animal study that replicates the human dosing regimen for Penthrox®. MVP expects the study to take 6 months to complete.

MVP expects to be in a position to address in full, all the clinical hold issues during the first quarter of 2020 with a view to refiling our Investigational New Drug (IND) application in mid-2020.

MVP remains confident we will be able to supply the FDA with the additional information it requires. Our confidence is based on 30+ years of experience, the demonstrated safety profile of Penthrox® over that time, the additional clinical data we have to support our IND including our Post Authorisation Safety Study, PK study, our ongoing clinical development program and our recent achievements in getting Penthrox® approved for sale in more than 40 countries around the world.

> ***MVP expect to submit our full response to the FDA IND clinical hold by mid 2020***

Europe

European Penthrox® sales (excluding UK/Ireland) grew 401%, despite the frustrating regulatory delays we have incurred over the last 12 months. Whilst initial orders have been placed for several countries, most of Europe is still to launch Penthrox® including Germany, Italy and Spain.

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.

We have 1,058 customers buying Penthrox® in Europe and believe that number will grow to between 5,000 and 10,000 as Penthrox® becomes a mainstream analgesic in every European market.

France

In market sales **grew 55%** in FY19 and feedback from the market continues to be positive. France now has **359 customers** which are buying and using Penthrox®.

UK and Ireland

In the UK and Ireland, Galen continues to make good progress. Sales to the UK and Ireland are **up 68%** and in-market sales **grew 86%**. There are now **540 customers** in total using the product. These include seven of the eleven Major Trauma Centres in the UK.

Whilst Penthrox® is being used in all Ambulance Services and major hospitals in Ireland the roll out into UK ambulances continues. This process has been frustratingly slow but the feedback from the Ambulance Services and Galen is that Penthrox® will be a success as protocols gradually incorporate Penthrox®.

Australia

Australian sales of Penthrox® **grew 32% in FY19** and sales to Ambulance was **up 38%**.

During the year MVP signed an agreement with Mundipharma Australia for the exclusive distribution rights of Penthrox® in Australia. This led to a large stocking order that was delivered in June 19. Even excluding the impact of this, Australian Penthrox® sales still grew by 14%. Mundipharma's presence in the field is expected to lead to strong sales growth in the short to medium term, particularly within General Practitioner and Hospital channels.

Penthrox® is now sold into more than 200 hospitals and medical clinics in Australia.

New Zealand

Penthrox® continues to perform strongly in New Zealand since being listed as the first line analgesic for New Zealand ambulance, and Nitrous Oxide being removed as a competitor. Sales to New Zealand grew **12% in FY19**.

Penthrox®: Rest of World

Since receipt of the $20.8m upfront payment, the Chinese Regulatory approval is well underway. The IND has been submitted to the Chinese FDA and we expect to have the IND open during 2019.

MVP continues to negotiate with interested parties from around the world in terms of registering and selling Penthrox®, whilst concurrently pursuing other important international regulatory submissions and preparations in countries including USA, China, Russia, Iran, Iraq, Thailand and South Korea.

Respiratory

Respiratory device sales were down **5%** in FY19, driven almost entirely by the issue we had in the UK (overstocking of our distributor in FY18). Global sales (excluding the UK which declined 53%) grew 11%. MVP has restructured the UK business which delivered an improved performance in the second half of FY19 and we anticipate good sales growth in the coming year.

Sales into the USA market **grew 62%** and we continue to build our business in that market. We are well on the way to establishing ourselves as a major supplier of respiratory devices in the USA and we continue to negotiate new distribution deals with some of the larger pharmacy chains in the USA. We expect to deliver significant sales growth in the USA in the years ahead.

Sales of Breath-A-Tech® grew 9% in Australia, but that growth was largely offset by a drop in sales to certain distributors. Overall Australian sales were steady whilst sales into New Zealand grew 172%.

Sales into Asia grew 111%.

Clinical

MVP invested $6.8m in clinical and research programs during FY19 (FY18: $7.1m). Our longer-term ambition is to gather enough clinical and safety data to extend the use of Penthrox® into:

a. Paediatrics globally

b. Minor surgical procedures;

c. Breakthrough post-operative and cancer pain;

d. Repeat use scenarios; and ultimately

e. Home use.

Our partners in Europe have completed one of the required studies in Europe for the Minor Surgical Procedures indication. We believe the global market for Penthrox® in Surgical Procedures is more valuable than the market for Trauma Pain.

MVP is conducting a Pivotal Paediatric Phase III study in the UK and Ireland. Enrolment is steady but slower than we would like due to the nature of young children participating in pain trials. Enrolment has reached 60% and we expect a successful outcome to expand the sales of Penthrox® globally.

MVP has recently completed a Phase 1 Pharmacokinetic Study which characterises how the drug moves through the human body. This 56-patient escalating dose study has been successfully completed and will be invaluable to other registrations around the world including the USA.

Our Post Authorisation Safety Study in the UK has recently completed recruiting with reporting to be finalised in the coming months.

Commercial

New Technology Project (CSIRO)

Our ambition is to develop the next generation of manufacturing technologies to make pharmaceutical products at a significantly reduced cost, improved quality, and lower risk compared with traditional processes. In February, MVP announced it has successfully completed a small-scale production run for Lidocaine using MVP's new continuous flow manufacturing technology. Since then we have focused our efforts and successfully run a series of pilot scale continuous flow production runs proving a successful scale up and commercial viability. We have initiated preliminary discussions with commercial parties to licence or sell the technology and expect to have an outcome during FY20.

Vet

Our Vet revenue fell 18% in FY19, attributed to a launch order in FY18 with one of the USA's largest veterinary medical device companies that was not repeated in FY19. Despite the fall in revenue, the segment continues to be profitable.

FY19 Full Year Financial Result

Gross revenue was a record $21.4 million.

Gross margins decreased slightly in FY19 from 68% to 66%, reflecting a higher weighting of international Penthrox® sales that are typically lower margin.

Operating Expenses grew 8% for the period because of increased:

- pharmacovigilance costs as a result of expanding geographic sales base;
- cost of employee share based payments;
- marketing expenses as a result of expanding geographic sales; and
- insurance related costs as a result of as a result of increasing industry premiums.

Cash flow

During the year MVP invested:

- $6.8 million in clinical trials and registrations for Penthrox®;
- $1.1 million in our manufacturing development program with the CSIRO; and
- $1.5 million in various manufacturing equipment and leasehold improvements.

Financial Position

A capital raising comprising of a $17m Institutional Placement and a $7.5m Share Purchase Plan was completed in August and September 2018 respectively. Bank debt was repaid during the year.

"MVP completed a successful $24.5 capital raise during the year placing the company in a strong financial position"

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

On the 21st August 2019 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 4 September 2019 to be paid to the shareholders on the 4 October 2019. This dividend has not been included as a liability in these financial statements.

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 2019 is:

Key dates	Event
21 August 2019	Declaration of Final Dividend
4 September 2019	Record Date for eligible shareholders to receive dividend
23 September 2019	Date for shareholders to elect to participate in Dividend Reinvestment Plan
4 October 2019	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' Shareholdings

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

	Fully paid shares
D.J. Williams	9,608,754
M. Johnston	39,694
L. Hoare	14,068
P.J. Powell	263,413

Directors hold no options over shares as at 30 June 2019.

Directors' Meetings

The table below 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, 12 Board meetings, two Audit and Risk Committee meetings and one Remuneration and Nominations committee meeting were held.

	Board of Directors		Audit & Risk Committee		Remuneration & Nominations	
	Held	Attended	Held	Attended	Nominations	Attended
D.J. Williams	12	12	-	-	1	1
A.D. McCallum	6	6	-	-	1	1
H.F. Oxer	7	6	-	-	-	-
M. Johnston	12	12	2	2	-	-
L. Hoare	12	12	-	-	-	-
P.J. Powell	12	12	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 2019. 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)
- R.M. Johnston (Non-executive)
- L. Hoare (Non-executive)
- P. Powell (Non-executive)
- H.F. Oxer (Non-executive) (resigned on 19 December 2018)
- A.D. McCallum (Non-executive) (resigned on 17 December 2018)

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

- J. Sharman (Chief Executive Officer)
- M. Edwards (Chief Financial Officer/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

2019	Balance at 30 June 2018 No.	Issued during the year via DRP No.	Disposals No.	Acquired No.	Net Other Change No.	Balance at 30 June 2019 No.
D.J. Williams	9,459,584	99,924	-	49,246	-	9,608,754
M. Johnston	30,576	368	-	8,750	-	39,694
L. Hoare	10,191	127	-	3,750	-	14,068
P.J. Powell	256,936	2,727	-	3,750	-	263,413
J. Sharman	5,125	54	-	-	-	5,179
M. Edwards	-	-	-	-	-	-
	9,762,412	103,200	-	65,496	-	9,931,108

2018	Balance at 30 June 2017 No.	Issued during the year via DRP No.	Disposals No.	Acquired No.	Net Other Change No.	Balance at 30 June 2018 No.
D.J. Williams *	17,970,388	113,025	(9,350,000)	750,000	(23,829)	9,459,584
A.D. McCallum	384,671	2,344	(120,000)	-	-	267,015
H.F. Oxer	193,118	1,347	-	-	-	194,465
M. Johnston	30,365	211	-	-	-	30,576
L. Hoare	10,121	70	-	-	-	10,191
P.J. Powell	255,157	1,779	-	-	-	256,936
J. Sharman	510,312	225	(505,412)	-	-	5,125
M. Edwards	-	-	-	-	-	-
	19,354,132	119,001	(9,975,412)	750,000	(23,829)	10,223,892

*Mr. Williams ceased being trustee for 23,829 shares owned by Ward Williams

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.

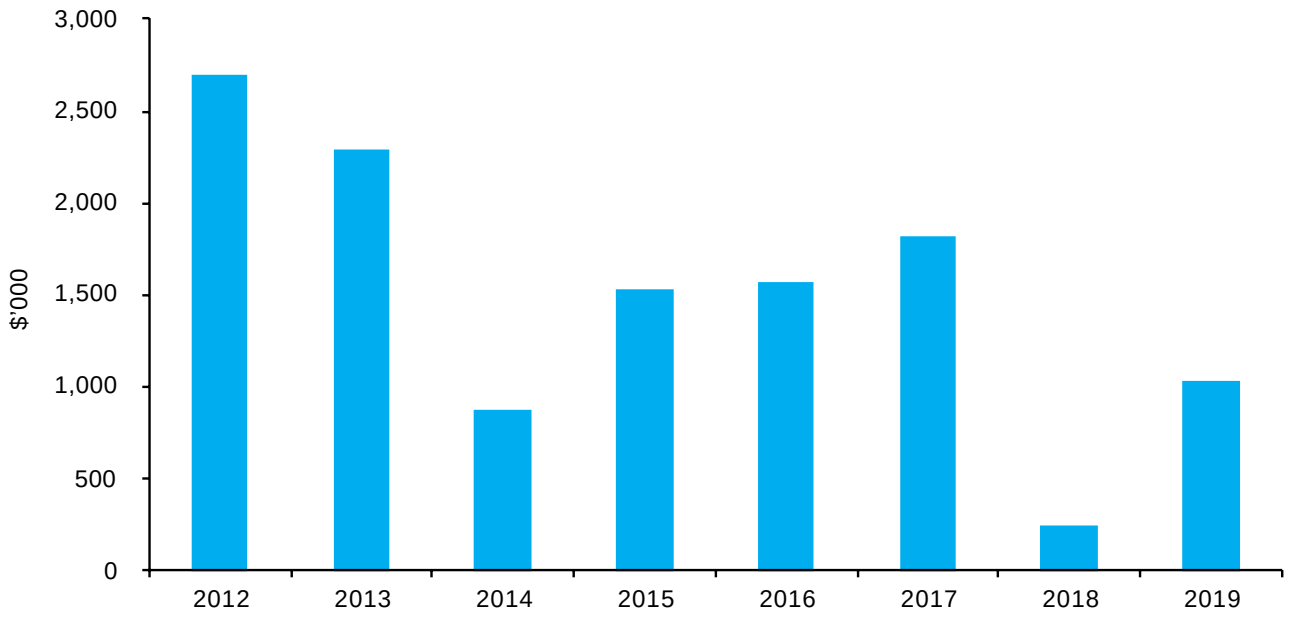
The remuneration and nominations committee, comprised of D.J. Williams and L. Hoare, determines the salary package of the CEO of the company and reviews the compensation of the non-executive directors on an annual basis. Changes are approved by the board as a whole.

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 EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation and 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 2012-2019



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

	2012	2013	2014	2015	2016	2017	2018	2019
Share price - start ($)	0.40	0.79	1.27	1.32	2.68	6.10	4.95	5.80
Share price - end ($)	0.79	1.27	1.32	2.68	6.10	4.95	5.80	5.30
Interim Dividend (cps)*	3.00	3.00	-	-	2.00	2.00	2.00	2.00
Final Dividend (cps)*	3.00	2.00	-	-	2.00	2.00	2.00	2.00
Basic Earnings per Share (cps)	5.10	4.10	1.50	2.65	0.41	3.10	0.41	1.61
Diluted Earnings per Share (cps)	5.10	4.10	1.50	2.65	0.41	3.10	0.41	1.60

*Franked to 100% at 27.5% corporate income tax rate.

Dividends

A 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 share options granted under the Long-Term Incentive Plan.

The following table discloses the remuneration of the directors of the company in 2019:

2019	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	76,104	-	7,230	-	-	83,334
A.D. McCallum	20,548	-	1,952	-	-	22,500
H.F. Oxer	20,548	-	1,952	-	-	22,500
M. Johnston	46,804	-	4,446	-	-	51,250
L. Hoare	46,804	-	4,446	-	-	51,250
P.J. Powell	46,804	-	4,446	-	-	51,250
	257,612	-	24,472	-	-	282,084

The following table discloses the remuneration of the key executives of the company in 2019:

2019	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)	366,456	-	33,544	9,892	234,095	643,987	36%
M. Edwards (CFO/Company Secretary)	177,078	4,566	17,256	5,654	44,821	249,375	20%
	543,533	4,566	50,800	15,546	278,916	893,362	

i. The value of the options granted to Mr Sharman and Mr Edwards as part of their remuneration was calculated at grant date using a Black Scholes option pricing model. Additional details in relation to the valuation are outlined below and also within note 32 of the Annual Report.

In FY19, Mr Edwards remuneration comprised a performance related component of $4,566. Director's remuneration did not contain a performance related component.

The following table discloses the remuneration of the directors of the company in 2018:

2018	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	68,493	-	6,507	-	-	75,000
A.D. McCallum	41,096	-	3,904	-	-	45,000
H.F. Oxer	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	41,096	-	3,904	-	-	45,000
	273,973	-	26,027	-	-	300,000

The following table discloses the remuneration of the key executives of the company in 2018:

2018	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)	343,794	50,000	36,798	16,759		447,351	11%
M. Edwards (CFO/Company Secretary)	167,657	4,566	16,530	2,950	-	191,703	2%
	511,451	54,566	53,328	19,709	-	639,054	

In FY18, both Mr Sharman and Mr Edwards remuneration comprised a performance related component of $50,000 and $4,566 respectively. Director's remuneration did not contain a performance related component.

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 2019 financial year, discretionary bonuses totalling $4,566 (2018: $54,566) were determined and approved by the Remuneration and Nominations Committee in relation to key management personnel in respect of their performance in the 2018 financial year.

Long-term incentives

Executive Option Plans

Under the Executive Option plan awards were made to executives who have an impact on the Group's performance. LTI awards are delivered in the form of options over shares which vest on the achievement of specific performance measures.

The fair value of share options granted is estimated at the date of grant using a Black Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted including the option price, the life of the option, the share price of the underlying shares on grant date and the expected share price volatility. It also takes into account historical and expected dividends. There are no cash settlement alternatives for the employees and The Group does not have a past practice of cash settlement for these awards.

All outstanding options will be cancelled if the employee leaves or is no longer employed by MVP for any reason. When the Long-Term Incentive Plan "LTIP" has met its vesting criteria and delivers an entitlement to an equity interest, the employee 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. In the case of an unconditional takeover, the escrow conditions will not apply.

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 carry neither rights to dividends or voting rights.

Executive share option plans

The following share-based payment arrangements were in existence during the current reporting period:

CEO Option Plan

On 18 July 2018 the company announced it has agreed to a LTIP with Mr. John Sharman, the CEO of Medical Developments International Limited to encourage his long-term commitment to the business.

Under the plan Mr. Sharman has been granted 300,000 options with a strike price of $0.01. The options will only vest on the earlier of FDA approval of Penthrox® for sale in the USA or the company receives an unconditional takeover offer worth more than $300m.

Senior Management Option Plan

In September 2018 the company announced it has agreed to a LTIP with key Senior Management Team members.

Under the plan the effected Senior Management team members were granted options with a strike price of $0.01. The options will only vest on the earlier of FDA approval of Penthrox® for sale in the USA or the company receives an unconditional takeover offer worth more than $350m.

A summary of the options granted during the year and outstanding as at 30 June 2019 is outlined below:

2019	Granted as remuneration No.	Exercised No.	Lapsed/ forfeited No.	Balance at 30 June 2019 No.	Balance vested at 30 June 2019 but not exercised No.	Balance not vested at 30 June 2019 No.	Options vested during the year No.
J. Sharman (CEO)	300,000	-	-	300,000	-	300,000	-
M. Edwards (CFO)	100,000	-	-	100,000	-	100,000	-

Issuing Entity	Personnel	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Medical Developments International Ltd	J. Sharman	300,000	Ordinary	$0.01	No expiry
Medical Developments International Ltd	M. Edwards	100,000	Ordinary	$0.01	No expiry
		400,000			

Fair value of share options granted during the year

As the options contain non-market performance hurdles, they have been valued using a 'Black-Scholes' 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 nontransferability and exercise restrictions. Expected volatility is based on the historical share price volatility over the past 2 years.

Inputs into the option pricing model were as follows:

	CEO	CFO
Grant date share price	$5.69	$3.90
Exercise price	$0.01	$0.01
Option Fair Value	$5.47	$3.69
Expected volatility	40%	45%
Expected option life	5 years	5 years
Dividend (Bi-annually)	2c	2c
Risk-free interest rate	2.30%	2.17%

For valuation purposes a probability of 75% has been applied to the likelihood of achieving FDA approval for Penthrox® in the USA.

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 services ($26,300) and other audit related services ($10,675). 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.

Corporate Governance Statement

A copy of the Company's Corporate Governance statement can be found at www.medicaldev.com/investors-media

Auditor's independence declaration

The auditor's independence declaration is included on page 31 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, 21 August 2019

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The Board of Directors
Medical Developments International Limited
4 Caribbean Drive
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21 August 2019

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 2019, 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

Deloitte.

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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 "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2019, 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 its financial position as at 30 June 2019 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 Company, 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 2019 the Group's Goodwill balance totals $9.095m 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 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: o Assessing the consistency and appropriateness of forecast revenue, EBITDA and free cash flows with reference to expected sales by geography and customer, o Assessing the appropriateness of EBITDA growth rates applied over the forecast period and terminal value with reference to management's current business plans, o Assessing the historical accuracy of forecasts of the Group's operating results, and o 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 2019 the Group's Intangible assets total $29.665m 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: o Amortisation has commenced on intangible assets that are available for use, and o 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

The 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 2019 (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

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal 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 24 to 30 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Medical Developments International Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

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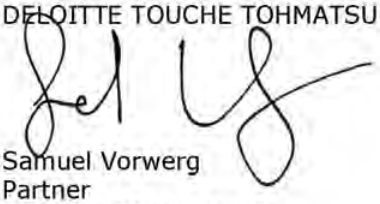

Samuel Vorwerg
Partner
Chartered Accountants
Melbourne, 21 August 2019

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, 21 August 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Financial Year Ended 30 June 2019

	Note	2019 $'000	2018 $'000
Gross revenue from sale of goods and contracts		21,382	17,929
Less discounts and claims		(506)	(468)
Net revenue from sale of goods and contracts	4(a)	20,876	17,461
Cost of sales		(6,692)	(5,097)
Gross profit		14,184	12,364
Other income	4(a)	448	1
Distribution expenses		(1,197)	(1,025)
Marketing expenses		(3,072)	(3,412)
Occupancy expenses		(1,269)	(900)
Administration expenses		(4,135)	(3,990)
Regulatory and registration expenses		(1,999)	(1,629)
Finance expenses		(71)	(140)
Other expenses		(1,338)	(968)
Profit before income tax expense		1,551	301
Income tax expense	5(a)	(513)	(58)
Profit for the year		1,038	243
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss, net of income tax			
Exchange differences on translating foreign operations	21	17	47
Total comprehensive income for the year		1,055	290
Profit for the year attributable to:			
Owners of the parent		1,038	243
Total comprehensive income for the year attributable to:			
Owners of the parent		1,055	290
Earnings per share:			
Basic (cents per share)	23	1.61	0.41
Diluted (cents per share)	23	1.60	0.41

Notes to the financial statements are included on pages 43-71

Consolidated Statement of Financial Position as at 30 June 2019

	Note	2019 $'000	2018 $'000
Current Assets			
Cash and cash equivalents	29(a)	25,620	794
Trade and other receivables	8	6,384	4,287
Inventories	9	3,049	3,197
Current tax receivable	5(c)	-	96
Other	10	301	373
Total Current Assets		35,354	8,747
Non-Current Assets			
Property, plant and equipment	12	8,558	8,075
Deferred tax assets	5(d)	2,129	1,082
Goodwill	13	9,095	9,095
Other intangible assets	14	29,665	22,549
Total Non-Current Assets		49,447	40,801
Total Assets		84,801	49,548
Current Liabilities			
Trade and other payables	15	3,406	3,227
Borrowings	16	91	102
Provisions	17	357	356
Current tax liabilities	5(c)	2,020	-
Other	19	2,521	2,418
Total Current Liabilities		8,395	6,103
Non-Current Liabilities			
Borrowings	16	91	9,150
Provisions	18	302	206
Other	19	31,425	13,048
Total Non-Current Liabilities		31,818	22,404
Total Liabilities		40,213	28,507
Net Assets		44,588	21,041
Equity			
Issued capital	20	40,410	16,121
Reserves	21	1,508	711
Retained earnings	22	2,670	4,209
Total Equity		44,588	21,041

Notes to the financial statements are included on pages 43-71

Consolidated Statement of Changes in Equity for the Financial Year Ended 30 June 2019

2019	Issued capital $'000	Retained earnings $'000	Employee equity settled benefits reserve $'000	CSIRO option reserve $'000	Foreign currency $'000 translation reserve	Total $'000
Opening balance	16,121	4,209	331	400	(20)	21,041
Profit for the year	-	1,038	-	-	-	1,038
Other comprehensive income for the year, net of income tax	-	-	-	-	17	17
Total comprehensive income for the year	-	1,038	-	-	17	1,055
Share based payments	-	-	380	-	-	380
Dividends paid	-	(2,576)	-	-	-	(2,576)
Shares issued - placement	17,000	-	-	-	-	17,000
Shares issued - share purchase plan	7,475	-	-	-	-	7,475
Options issues as part of CSIRO agreement	-	-	-	400	-	400
Dividends reinvested in the form of shares	860	-	-	-	-	860
Equity raising costs	(1,046)	-	-	-	-	(1,046)
Closing balance	40,410	2,670	711	800	(3)	44,588

2018	Issued capital $'000	Retained earnings $'000	Employee equity settled benefits reserve $'000	CSIRO option reserve $'000	Foreign currency $'000 translation reserve	Total $'000
Opening balance	15,008	6,328	331	-	(67)	21,600
Profit for the year	-	243	-	-	-	243
Other comprehensive income for the year, net of income tax	-	-	-	-	47	47
Total comprehensive income for the year	-	243	-	-	47	290
Share based payments	-	-	-	-	-	-
Dividends paid	-	(2,362)	-	-	-	(2,362)
Shares issue as part of ESS	-	-	-	-	-	-
Options issues as part of CSIRO	-	-	-	400	-	400
Dividends reinvested in the form of shares	1,123	-	-	-	-	1,123
Equity raising costs	(10)	-	-	-	-	(10)
Closing balance	16,121	4,209	331	400	(20)	21,041

Notes to the financial statements are included on pages 43-71

Consolidated Statement of Cash Flows for the Financial Year Ended 30 June 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		16,484	16,233
Payments to suppliers and employees		(16,595)	(15,482)
Receipts from government grants		52	118
Upfront and milestone payments received		20,845	1,020
Interest paid		(71)	(137)
Income tax received/(paid)		556	38
Net cash generated by operating activities	29(b)	21,271	1,790
Cash flows from investing activities			
Interest received		330	1
Payments for plant and equipment		(1,487)	(2,058)
Payments for other intangible assets		(8,378)	(8,619)
Net cash used in investing activities		(9,535)	(10,676)
Cash flows from financing activities			
Dividends paid (net of DRP)	24	(1,717)	(1,239)
Proceeds from the issue of shares/options		24,875	400
Share issue transaction costs		(1,045)	(10)
Payments for hire purchase finance	16	(11)	(56)
Repayment of borrowings	16	(9,059)	-
Proceeds from borrowings	16	-	8,878
Net cash generated by financing activities		13,043	7,973
Net decrease in cash and cash equivalents		24,779	(913)
Cash and cash equivalents at the beginning of the financial year		794	1,691
Effects of exchange rate changes on the balance of cash held in foreign currencies		47	16
Cash and cash equivalents at the end of the financial year	29(a)	25,620	794

Notes to the financial statements are included on pages 43-71

Notes to the Financial Statements

for the Financial Year Ended 30 June 2019

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 21 August 2019.

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 5-10 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 - 10 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 - 10 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 control of the product to the buyer. Settlement and volume discounts granted to customers are accounted as offsets against sales.

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 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

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounts Standards and amendments to Accounting Standards that are mandatorily effective for the current period that begins on or after 1 July 2018.

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounts Standards, Interpretations and amendments that have been issued but are not yet effective:

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 9 Financial Instruments and related amending Standards
- AASB 15 Revenue from Contracts with Customers
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions
- Interpretation 22 Foreign currency Transactions and Advance Consideration

The main impacts in the current year were in relation to AASB 9 and AASB 15.

AASB 9 Financial Instruments

In the current year, the Group has applied an amendment to AASB 9 Financial Instruments (as amended) and the related consequential amendments to other Accounting Standards that are effective for an annual period that begins on or after 1 July 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives.

AASB 9 introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities (minimal impact on the Group);
- Impairment of financial assets (minimal impact on the Group); and
- General hedge accounting (no impact on the Group).

Details of these new requirements as well as their impact on the Groups consolidated financial statements are described below:

Classification and measurement of financial assets and financial liabilities

The Group's financial assets classified as held to maturity and loans and receivables under AASB 139 that were measured at amortised cost, continue to be measured at amortised cost under AASB 9 as these are held within a business model to collect contractual cash flows and these cash flows consist solely of payment of principal and interest on the principal amount outstanding.

Impairment of financial assets

In relation to the impair of financial assets, AASB 9 requires an expected credit loss model as opposed to an incurred credit loss model under AASB 139. Th expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words,

Standard/Amendment/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 16 Leases	1 January 2019	30 June 2020
AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle	1 January 2019	30 June 2020
AASB 2018-3 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements	1 January 2019	30 June 2020
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 January 2019	30 June 2020
Interpretation 23 – Uncertainty over Income Tax Treatments	1 January 2019	30 June 2020

it is no longer necessary for a credit even to have occurred before credit losses are recognised.

Despite the changed recognition criteria, the group continues to assess the risk of non-recoverability or expected credit loss on its receivables to be very low. Trade receivables are typically collected within a 30-90-day period and despite the occasional debtor being slow paying, empirical evidence suggest there has been a very low absence of credit losses in recent years (losses over the last 4 financial years total less than $25k).

AASB 15 Revenue from Contracts with Customers

In the current year, the Group has applied AASB15 Revenue from Contracts with Customers (as amended) which is effective for annual reporting periods that begin on or after 1 July 2018.

Following a detailed assessment of the requirements of this standard, the Group has determined that the five-step approach framework under AASB 15 does not impact the two main sources of revenue streams earned by the Group, those being revenue from sale of goods and upfront and milestone payments.

Revenue from sale of goods – the key and sole performance milestone relates to the delivery of the product related to the order with no after sales service embedded or attached to the underlying sale. Hence the previously adopted revenue recognition practices remain unchanged as a result of the application of AASB 15.

Revenue from upfront and milestone payments is amortised to the income statement over the underlying contract term. As the performance obligation continues to be the right of the Groups partners to exclusively sell product in a specific market for a period of time, the consumption of the right and benefit occurs evenly over the contract period and the accounting remains unchanged.

As such there are no changes to the historical revenue recognition and measurement practices as a result of the introduction and application of AASB 15.

Standards not yet adopted

AASB 16 Leases

General impact of application

AASB 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for lessees. AASB 16 will supersede the current lease guidance included in AASB 117 Leases and the related interpretations, effective for accounting periods on or after 1 January 2019. The date of initial application of the standard for the group will be 1 July 2019.

The group has opted for the modified application of AASB 16. Consequently, no restatement of comparative information will be required.

The Group will apply the definition of a lease and related guidance set out in AASB 16. In preparation for the first-time application of the new standard, the Group has carried out an assessment that has determined the new definition in AASB 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Accordingly, AASB 16 will change how the Group accounts for leases previously classified as operating leases under AASB117 which were off balance sheet. The main impact being in relation to the Group's key lease in relation to its Scoresby based head office and manufacturing facility. On initial application of AASB16, for all leases (except as noted below), the Group will:

- Recognised right of use assets and lease liabilities in the consolidated statement of financial position, initially measure at the present value of the future lease payments;
- Recognise depreciation of right of use assets and interest on lease liabilities in the consolidated statement of profit and loss; and
- Separate the total amount of cash paid into principal portion (presented with finance activities) and interest (presented within operating activities) in the consolidated cash flow statement.

The lease incentive (i.e. rent free period received on the Scoresby lease), will be recognised as part of the measurement of the right of use assets and leases liabilities, whereas under AASB 117 the results in the recognition of a lease liability incentive, amortised as a reduction of rental expense on a straight-line basis.

For short term leases (i.e. those of 12 months or less) and leases of low value assets, the Group will opt to recognise a lease expense on a straight-line basis as permitted by AASB 16.

As at 30 June 2019, the Group has non-cancellable operating lease commitments of $2.343m of which the Scoresby lease represents $2.183m.

A preliminary assessment indicates that the Group will recognise a right of use asset of $3.074m and a lease liability of $3.462m. This assumes the Group will exercise the first of its 5-year lease renewal options. The impact on the profit or loss is to decrease occupancy expenses by $0.283m, to increase depreciation by $0.271m and to increase interest expense by $0.119m. The lease liability

incentive of $0.388m previously recognised in respect of the Scoresby operating lease will be derecognised and the amount factored into the measurement of the 'right to use' asset.

Under AASB117, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under AASB 16 would be to increase the cash generated from operating activities by $0.283m and to increase the net cash used in financing activities.

Interpretations 22 Foreign Currency Transactions and Advance Consideration

Interpretation 22 addresses how to determine the date of transaction for the purpose of determining the exchange rate to use on initial recognition of an assets, expense or income, when consideration for that item has been paid or received in advance in foreign current which results in the recognition of a non-monetary assets or non-monetary liability.

The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the interpretation requires an entity to determine the date of transaction for each payment of receipts of advance consideration.

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 $9,095,000 (2018: $9,095,000). Details of the impairment calculation are provided in note 13.

Impairment of intangible assets not yet available for use

The Group has material capitalised registration costs in relation to obtaining registration of Penthrox® in a number of jurisdictions (primarily the USA and China). Management tests the intangible assets not yet available for use using a fair value less costs to sell basis each year.

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 FY19 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 2019 as the Group is profitable, generates positive operating cash flows, has completed a capital raising during the year 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.

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 Penthrox® primarily within Australia, New Zealand, Europe the UK and some sales in Canada, the Middle East, Asia and South Africa.
- Medical Devices – the sale of medical devices, particularly the Space Chamber and Breath-Alert Peak-Flow meters, primarily within Australia, UK/ Europe and North America, with some sales in Asia and New Zealand.
- 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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Revenues:										
External revenue (gross)	14,322	10,246	6,442	6,928	618	755	-	-	21,382	17,929
Sales discounts and claims	-	-	(506)	(468)	-	-	-	-	(506)	(468)
Total external revenue (net)	**14,322**	**10,246**	**5,936**	**6,460**	**618**	**755**	**-**	**-**	**20,876**	**17,461**
Results:										
Segment results	5,334	4,353	573	507	184	244	-	-	6,091	5,104
Unallocated							(2,650)	(2,881)	(2,650)	(2,881)
Profit before interest, income tax depreciation & amortisation	**5,334**	**4,353**	**573**	**507**	**184**	**244**	**(2,650)**	**(2,881)**	**3,441**	**2,223**
Depreciation & Amortisation	(1,805)	(1,417)	(249)	(192)	(25)	(37)	(188)	(137)	(2,267)	(1,783)
Profit before interest and tax	**3,529**	**2,936**	**324**	**315**	**159**	**207**	**(2,838)**	**(3,018)**	**1,174**	**440**
Net Interest							377	(139)	377	(139)
Profit before income tax expense							**(2,461)**	**(3,157)**	**1,551**	**301**
Income tax expense							(513)	(58)	(513)	(58)
Net profit for the period from continuing operations							**(2,974)**	**(3,215)**	**1,038**	**243**
Assets and Liabilities										
Assets	44,236	35,046	9,973	9,981	1,108	1,120	29,484	3,401	84,801	49,548
Liabilities	-	-	-	-	-	-	40,213	28,507	40,213	28,507
Other Segment Information										
Acquisition of segment assets	8,994	10,062	291	328	13	63	567	224	9,865	10,677

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. MVP has made minor adjustments to prior year comparatives to ensure consistent year on year expense allocations.

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 2019 $000's	%	Revenue from external customers 2018 $000's	%
Australia	11,208	52.4	9,705	54.1
International	10,174	47.6	8,224	45.9
	21,382	100.0	17,929	100.0

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

Non-Current Segment Assets	Australia $000's	Overseas $000's	Total $000's
Leasehold improvements at cost	298	-	298
Plant and equipment at cost	7,763	497	8,260
Goodwill at gross carrying amount	9,095	-	9,095
Other intangible assets at cost	29,665	-	29,665
Deferred tax asset	2,062	67	2,129
	48,883	564	49,447

Information about major customers

The Group had no individual customers who contributed 10% or more to the Group's total 2019 sales revenue.

4. Items included in profit and loss

	2019 $'000	2018 $'000
(a) Revenue and other income		
Gross revenue from sale of goods	18,964	15,763
Sales discounts and claims	(506)	(468)
Upfront and milestone income	2,418	2,166
Total Revenue (net)	20,876	17,461
Interest revenue - bank deposits	448	1
	21,324	17,462
(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	(1,003)	(620)
Amortisation of non-current assets	(1,263)	(1,162)
Research & development costs	(253)	(156)
Operating lease rental expenses - minimum lease payments	(328)	(322)
Share based payments (equity settled)	(380)	-
Gain/(loss) on foreign currency transactions	382	(103)
Finance Expenses		
Interest on bank loans	(46)	(134)
Interest on other loans/hire purchase arrangements	(25)	(6)
	(71)	(140)
Employee benefit expense:		
Short-term employee benefits	(4,559)	(3,945)
Superannuation contributions	(594)	(560)

5. Income taxes

	2019 $'000	2018 $'000
(a) Income tax recognised in profit or loss		
Tax expense comprises:		
Current tax expense/(benefit)	(2,905)	2,247
Deferred tax expense/(benefit) relating to origination and reversal of temporary differences	3,371	(2,319)
Adjustments recognised in the current year in relation to the current tax of prior year	47	23
Deferred tax expense relating to change in company tax rate	-	107
Total tax expense	513	58
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	1,551	301
Income tax calculated at 27.5% (2018: 27.5%)	426	83
Research & development benefit	(127)	(167)
Non deductible expenses	130	2
Adjustments recognised in relation to the current tax of prior year	47	23
Deferred tax expense relating to change in company tax rate	-	107
Effect of different tax rates of subsidiaries operating in other jurisdictions	37	10
Income tax expense recognised in the Statement of Profit or Loss and Other Comprehensive Income	513	58
The tax rate used in the above reconciliation is the corporate tax rate of 27.5% payable by Australian corporate entities on taxable profits under Australian tax law.		
(b) Income tax recognised directly in equity		
No current and deferred tax amounts have been charged directly to equity during the period (2018: $nil)		
(c) Current tax assets/liabilities		
Income tax (payable)/receivable	(2,020)	96

MVP has received upfront payments during the current and prior years 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 (current)		
Temporary differences	9,849	4,644
Tax losses	67	2,391
	9,916	7,035
(e) Deferred tax liabilities		
Temporary differences	(7,787)	(5,953)
Net Deferred Tax Asset	2,129	1,082

Taxable/Deductible temporary differences arise from the following:

2019	Opening balance $'000	Charged to income $'000	Closing balance $'000
Deferred tax assets/(liabilities):			
Accrued expenses	117	69	186
Deferred revenue	4,253	5,082	9,335
Other Intangibles	(5,728)	(1,828)	(7,556)
Property, Plant & Equipment	(4)	(6)	(10)
Provisions	274	54	328
Goodwill	(221)	-	(221)
	(1,309)	3,371	2,062

2018	Opening balance $'000	Charged to income $'000	Closing balance $'000
Deferred tax assets/(liabilities):			
Accrued expenses	131	(14)	117
Deferred revenue	4,948	(695)	4,253
Other Intangibles	(4,103)	(1,625)	(5,728)
Property, Plant & Equipment	2	(6)	(4)
Provisions	276	(2)	274
Goodwill	(221)	-	(221)
Unrealised foreign exchange losses	(23)	23	-
	1,010	(2,319)	(1,309)

6. Key management personnel compensation

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

	2019 $'000	2018 $'000
Short-term employee benefits	806	840
Post employment benefits	75	79
Long term employee benefits	16	20
Share based payments	279	-
	1,176	939

7. Remuneration of auditors

	2019	2018
Audit or review of the financial report	90,000	79,785
Taxation services	26,300	29,790
Other audit services	10,675	-
	126,975	109,575

The auditor of the entity is Deloitte Touche Tohmatsu.

8. Current receivables

	2019 $'000	2018 $'000
Trade receivables	6,273	4,233
GST recoverable	111	54
	6,384	4,287

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 $647,906 (2018: $368,225) 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

	2019 $'000	2018 $'000
60 - 90 days	386	84
> 90 days	262	284
	648	368

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

	2019 $'000	2018 $'000
Raw materials:		
At cost	1,200	1,111
Work in progress:		
At cost	825	647
Finished goods:		
At cost	1,169	1,479
Provision for obsolesence	(145)	(40)
	3,049	3,197

The provision for obsolescence at 30 June 2019 represented predominantly obsolete materials.

10. Other current assets

	2019 $'000	2018 $'000
Prepayments	301	372
Other receivables	-	1
	301	373

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	
			2019	2018
Medical Developments UK Limited	Distribution of pharmaceutical drug and medical and veterinary equipment	United Kingdom	100%	100%
Medical Developments MD&P Limited	Holder of European Penthrox® Marketing Authorisation	Ireland	100%	N/A
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 $'000	Plant and equipment at cost $'000	Total $'000
Gross carrying amount				
Balance at 30 June 2017	495	3,818	5,264	9,577
Additions	68	269	1,720	2,057
Balance at 30 June 2018	563	4,087	6,984	11,634
Additions	532	-	955	1,487
Balance at 30 June 2019	1,095	4,087	7,939	13,121
Accumulated depreciation				
Balance at 30 June 2017	(295)	-	(2,645)	(2,940)
Depreciation expense	(63)	(136)	(421)	(620)
Balance at 30 June 2018	(358)	(136)	(3,066)	(3,560)
Depreciation expense	(439)	(341)	(223)	(1,003)
Balance at 30 June 2019	(797)	(477)	(3,289)	(4,563)
Net book value				
As at 30 June 2018	205	3,952	3,918	8,075
As at 30 June 2019	298	3,610	4,650	8,558

13. Goodwill

	2019 $'000	2018 $'000
Gross carrying amount		
Balance at beginning of financial year	9,095	9,095
Additions	-	-
Balance at end of financial year	9,095	9,095
Net book value		
Balance at beginning of financial year	9,095	9,095
Balance at end of financial year	9,095	9,095

During the year, the company assessed the recoverable amount of goodwill and determined that there was no impairment (2018: $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:

	2019 $'000	2018 $'000
Pharmaceuticals	3,808	3,808
Medical devices	4,706	4,706
Veterinary equipment	581	581
	9,095	9,095

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:
25% based on expansion of existing markets

Medical Devices:
15% based on expansion of existing markets

Veterinary equipment:
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 post-tax discount rate of 10.06% per annum (2018: 11.14% 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 the Pharmaceutical and Vet Equipment CGU's is based would not cause the carrying amounts to exceed their recoverable amounts.

The Medical devices segment is the segment most at risk of impairment when a sensitivity analysis is applied to the key variables. A moderate increase in discount rate or shortfall in budgeted EBITDA will result in impairment.

14. Other intangible assets

	Development $'000	Patents & trademarks $'000	Capitalised registration costs $'000	Brandnames $'000	Other $'000	Total $'000
Gross carrying amount						
Balance at 30 June 2017	2,021	755	13,151	738	867	17,532
Additions	1,062	288	7,270	-	-	8,620
Balance at 30 June 2018	3,083	1,043	20,421	738	867	26,152
Additions	1,455	94	6,829	-	-	8,358
Balance at 30 June 2019	4,538	1,137	27,229	738	867	34,510
Accumulated amortisation						
Balance at 30 June 2017	(294)	(291)	(1,713)	-	(142)	(2,440)
Amortisation expense	(203)	(90)	(783)	-	(86)	(1,162)
Balance at 30 June 2018	(497)	(381)	(2,496)	-	(228)	(3,602)
Amortisation expense	(257)	(100)	(820)	-	(86)	(1,263)
Balance at 30 June 2019	(754)	(481)	(3,316)	-	(314)	(4,865)
Net book value						
As at 30 June 2018	2,586	662	17,924	738	639	22,549
As at 30 June 2019	3,784	657	23,934	738	553	29,665

The amortisation charge for the year of $1,263,000 (2018: $1,162,000) has been included in administration expenses. For an explanation of amortisation periods refer Note 1(l).

15. Current trade and other payables

	2019 $'000	2018 $'000
Trade payables (i)	2,030	2,063
Accrued expenses	1,319	1,116
Employee benefits payable	53	46
PAYG witholding tax payable	4	2
	3,406	3,227

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

	2019 $'000	2018 $'000
Secured - at amortised cost		
Hire Purchase (i)	-	7
Hire Purchase (ii)	-	4
Bank Bill (iii)	-	8,969
Other (iv)	181	272
	181	9,252
Current	91	102
Non-current	90	9,150
	181	9,252

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. This was fully repaid during the year.

ii. On 4 September 2013 the Group entered into a Hire Purchase Agreement in relation to plant and equipment. The term was 5 years and was fully repaid during the current year.

iii. The Bank Bill Facility with a variable interest rate and 90-day roll over period was closed during the current year after the outstanding balance was repaid after the completion of the capital raising in August 2019.

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 Penthrox®. 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 2019, the stage 1a, 1b and Stage 2 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%.

v. The Group has an overdraft facility of $200,000. As at 30 June 2019, this remains unused.

17. Current provisions

	2019 $'000	2018 $'000
Employee benefits	357	356

18. Non-current provisions

	2019 $'000	2018 $'000
Employee benefits	302	206

The company has 58 full time equivalent employees at 30 June 2019 (2018: 55)

19. Other liabilities

	2019 $'000	2018 $'000
Revenue received in advance	33,281	14,785
Unearned government grant income	665	681
	33,946	15,466
Current	2,521	2,418
Non-current	31,425	13,048
	33,946	15,466

MVP has received additional upfront and milestone payments during the current year, most notably from Daiichi Sankyo for $20.8m in relation to a licensing and distribution agreement for Penthrox® in China, Thailand and Vietnam. 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 2019 $33.281m (2018: $14.785m) 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

	2019		2018	
	No.	$'000	No.	$'000
Fully paid ordinary shares				
Balance at beginning of financial year	59,172,092	16,121	58,975,176	15,008
Shares Issued - Dividends Reinvestment Plan	225,951	860	196,916	1,123
Share issue - Placement	4,250,000	17,000	-	-
Share issue - Share Purchase Plan	1,868,703	7,475	-	-
Capital raising costs	-	(1,046)	-	(10)
Balance at end of financial year	65,516,746	40,410	59,172,092	16,121

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

21. Reserves

	2019 $'000	2018 $'000
(a) Foreign currency translation reserve		
Balance at beginning of year	(20)	(67)
Exchange differences arising on translating the foreign operations	17	47
Balance at end of year	(3)	(20)

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.

	2019 $'000	2018 $'000
(b) Employee equity-settled benefits reserve		
Balance at beginning of year	331	331
Share-based payments recognised	380	-
Balance at end of year	711	331

The above equity settled employee benefits reserve related to share options granted by the company to its CEO under its employee share option plan.

	2019 $'000	2018 $'000
(c) CSIRO Option Reserve		
Balance at beginning of year	400	-
Option issues for services provided	400	400
Balance at end of year	800	400

The above CSIRO option reserve at 30 June 2019, relates to 178,756 options (2018: 72,056) over ordinary shares of the Company. These options are in relation to the MVP/CSIRO Manufacturing Technologies Project announced on 5 June 2017. Options are exercisable for no consideration when a developed technology has been proven to be commercially viable. The share options granted to the CSIRO carry no rights to dividends and no voting rights.

22. Retained earnings

	2019 $'000	2018 $'000
Balance at beginning of financial year	4,209	6,328
Dividends paid	(2,576)	(2,362)
Net profit attributable to members	1,038	243
Balance at end of financial year	2,670	4,209

23. Earnings per share

	2019 cents per share	2018 cents per share
Basic earnings per share	1.61	0.41
Diluted earnings per share	1.60	0.41

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:

	2019 $'000	2018 $'000
Earnings	1,038	243

	2019 No.	2018 No.
Weighted average number of ordinary shares	64,615,720	59,080,452

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. Dilutive options outstanding as at 30 June 2019 related to options to employees and also to the CSIRO.

	2019 No.	2018 No.
Weighted average number of ordinary shares used in the calculation of basic EPS	64,615,720	59,080,452
Shares deemed to be issued for no consideration in respect of:		
- Dilutive Options	344,166	-
Weighted average number of ordinary shares for diluted EPS	64,959,886	59,080,452

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 year ended 30 June 2019.

The interim dividend paid during the 30 June 2019 year resulted in the company paying dividends of $864,000 and the balance of $444,000 issued as shares under the Dividend Reinvestment Plan.

The 2018 full year dividend paid during the 30 June 2019 year resulted in the company paying dividends of $852,000 and the balance of $416,000 issued as shares under the Dividend Reinvestment Plan.

	2019		2018	
	cents per share	$'000	cents per share	$'000
Recognised amounts				
Fully paid ordinary shares				
Interim dividend - fully franked	2.0	1,308	2.0	1,182
Full year dividend paid during the year - fully franked	2.0	1,268	2.0	1,180
	4.0	2,576	4.0	2,362
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend - fully franked	2.0	1,310	2.0	1,183
		1,310		1,183

	2019 $'000	2018 $'000
Adjusted franking account balance	490	2,286

25. Operating leases

Operating leases primarily relate to factory leases with remaining lease terms ranging from 0.5 to 6.5 years. The company does not have the option to purchase the leased asset at the expiry of the lease period.

	2019 $'000	2018 $'000
Non cancellable operating lease payments:		
Not longer than 1 year	392	385
Longer than 1 year and not longer than 5 years	1,455	1,845
Greater than 5 years	496	496
	2,343	2,726

26. Commitments for expenditure

(a) Capital expenditure commitments

There were no capital expenditure commitments at 30 June 2019.

27. Related party disclosures

There were no related party transactions during the 2019 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.

Please also refer to note 6 for details of Key Management Personnel compensation.

28. Subsequent events

On the 21st August 2019 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 4 September 2019 to be paid to the shareholders on the 4 October 2019. This dividend has not been included as a liability in these financial statements.

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.

29. Notes to the Consolidated Statement of Cash Flows

	2019 $'000	2018 $'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	25,620	794
	25,620	794
(b) Reconciliation of profit for the period to net cash flows from operating activities		
Profit for the period	1,038	243
Interest received	(330)	(1)
Depreciation and amortisation of non-current assets	2,266	1,782
Net unrealised foreign exchange (gain)/loss	(53)	11
Share based payments	380	-
Increase/(decrease) in tax payable	2,116	113
Decrease/(increase) in deferred tax asset	(1,047)	(21)
Movements in working capital		
Decrease/(increase) in assets:		
Receivables	(2,097)	945
Inventories	148	(773)
Other assets	72	(50)
Increase/(decrease) in liabilities:		
Payables	202	490
Provisions	1	10
Other liabilities	18,480	(1,006)
Non-current provisions	96	47
Net cash from operating activities	21,271	1,790
(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	-	8,969
Amount unused	-	2,031
	-	11,000

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 2019 is outlined below:

	2019 $'000	2018 $'000
Debt (i)	182	9,252
Cash and bank balances	(182)	(794)
Net debt / (cash)	-	8,458
Equity (ii)	44,588	21,041
Net debt to equity ratio	0%	40%

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. Cash has been included to the extent it reduced the outstanding debt to nil.

(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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
USD	903	1,512	5,841	1,212
GBP	59	126	733	1,125
NZD	25	22	343	287
EUR	-	-	-	148
CND	-	3	7	11
	987	1,663	6,923	2,784

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 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.

	Profit or loss	
	2019 $'000	2018 $'000
USD Impact	(494)	30
GBP Impact	(67)	(100)

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 2019 and 30 June 2018.

Variable interest rate maturity

2019	Average interest rate %	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets						
Cash	1.99%	25,620	-	-	-	25,620
Receivables	-	-	-	-	6,384	6,384
		25,620	-	-	6,384	32,004
Financial liabilities						
Payables	-	-	-	-	3,406	3,406
Borrowings	4.72%	91	91	-	-	182
		91	91	-	3,406	3,588

2018	Average interest rate %	Less than 1 year $'000	1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets						
Cash	0.01%	794	-	-	-	794
Receivables	-	-	-	-	4,287	4,287
		794	-	-	4,287	5,081
Financial liabilities						
Payables	-	-	-	-	3,227	3,227
Borrowings	3.46%	102	9,150	-	-	9,252
		102	9,150	-	3,227	12,479

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

Interest rate risk table

	2019 $'000	2018 $'000
Profit or Loss	127	(42)

(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
2019					
Payables	-	3,406	-	-	3,406
Borrowings	4.72%	91	91	-	182
		3,497	91	-	3,588
2018					
Payables	-	3,227	-	-	3,227
Borrowings	3.46%	102	9,150	-	9,252
		3,329	9,150	-	12,479

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

	2019 $'000	2018 $'000
Assets		
Current Assets	35,848	8,884
Non-Current Assets	49,375	40,758
Total Assets	85,223	49,642
Liabilities		
Current Liabilities	5,965	3,623
Non-Current Liabilities	34,338	24,822
Total Liabilities	40,303	28,445
Equity		
Issued capital	40,410	16,121
Reserves	1,511	731
Retained earnings	2,999	4,345
Total Equity	44,920	21,197

Financial Performance

	2019 $'000	2018 $'000
Profit for the year	1,231	240
Dividends paid	(2,576)	(2,362)
Other comprehensive income	-	-
Total comprehesive income	(1,345)	(2,122)

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

32. Employee Share Option Plans

Executive Option Plans

Under the Executive Option plan awards were made to executives who have an impact on the Group's performance. Long Term Incentive awards are delivered in the form of options over shares which vest on the achievement of specific performance measures.

The fair value of share options granted is estimated at the date of grant using a Black Scholes option pricing model, taking into account the terms and conditions upon which the share options were granted including the option price, the life of the option, the share price of the underlying shares on grant date and the expected share price volatility. It also takes into account historical and expected dividends. There are no cash settlement alternatives for the employees and The Group does not have a past practice of cash settlement for these awards.

All outstanding options will be cancelled if the employee leaves or is no longer employed by MVP for any reason. When the Long-Term Incentive Plan "LTIP" has met its vesting criteria and delivers an entitlement to an equity interest, the employee 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. In the case of an unconditional takeover, the escrow conditions will not apply.

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 carry neither rights to dividends or voting rights.

32.1 Executive share option plans

The following share-based payment arrangements were in existence during the current reporting period:

CEO Option Plan

On 18 July 2018 the company announced it has agreed to a LTIP with Mr. John Sharman, the CEO of Medical Developments International Limited to encourage his long-term commitment to the business.

Under the plan Mr. Sharman has been granted 300,000 options with a strike price of $0.01. The options will only vest on the earlier of FDA approval of Penthrox® for sale in the USA or the company receives an unconditional takeover offer worth more than $300m.

Senior Management Option Plan

In September 2018 the company announced it has agreed to a LTIP with key Senior Management Team members.

Under the plan the effected Senior Management team members were granted 375,000 options with a strike price of $0.01. The options will only vest on the earlier of FDA approval of Penthrox® for sale in the USA or the company receives an unconditional takeover offer worth more than $350m. 100,000 of options within this issue contain a further vesting trigger being, the delivery of a new API from the CSIRO manufacturing technologies project that creates revenue of at least $10m p.a. (or upfront payment of greater than $15m).

2019	Granted as remuneration No.	Exercised No.	Lapsed/ forfeited No.	Balance at 30 June 2019 No.	Balance vested at 30 June 2019 but not exercised No.	Balance not vested at 30 June 2019 No.	Options vested during the year
J. Sharman (CEO)	300,000	-	-	300,000	-	300,000	-
M. Edwards (CFO)	100,000	-	-	100,000	-	100,000	-
Senior Management	275,000	-	(50,000)	225,000	-	225,000	-

Issuing Entity	Personnel	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Medical Developments International Ltd	J. Sharman	300,000	Ordinary	$0.01	No expiry
Medical Developments International Ltd	M. Edwards	100,000	Ordinary	$0.01	No expiry
Medical Developments International Ltd	Senior Management	225,000	Ordinary	$0.01	No expiry
		625,000			

32.2 Fair value of share options granted during the year

As the options contain non-market performance hurdles, they have been valued using a 'Black-Scholes' 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. Expected volatility is based on the historical share price volatility over the past 2 years.

Inputs into the option pricing model were as follows:

	CEO	CFO	Senior Management
Grant date share price	$5.69	$3.90	$3.90
Exercise price	$0.01	$0.01	$0.01
Option Fair Value	$5.47	$3.69	$3.69
Expected volatility	40%	45%	45%
Expected option life	5 years	5 years	5 years
Dividend (Bi-annually)	2c	2c	2c
Risk-free interest rate	2.30%	2.17%	2.17%

For valuation purposes a probability of 75% has been applied to the likelihood of achieving FDA approval for Penthrox® in the USA.

32.3 Share Based Payments Expense

	2019 $'000	2018 $'000
Share-based payments	380	-

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

Share registry

Computershare Investor Services Pty Ltd
452 Johnston Street
Abbotsford VIC 3067

Tel: 1300 850 505

Additional Stock Exchange Information as at 31 August 2019

Number of holders of equity securities

Ordinary share capital

65,516,746 fully paid ordinary shares held by 5,790 individual shareholders. All issued ordinary shares carry one vote per share.

Distribution of holders of equity securities

Fully paid ordinary shares

1 – 1,000	2,554
1,001 – 5,000	2,043
5,001 – 10,000	618
10,001 – 100,000	522
100,001 and over	53
	5,790
Holding less than a marketable parcel	**303**

Substantial Shareholders	Number	%
MR DAVID JOHN WILLIAMS	9,608,754	14.67

Twenty largest holders of equity securities	Number	%
MR DAVID JOHN WILLIAMS	9,608,754	14.67
HSBC CUSTODY NOMINEES	9,121,026	13.92
J P MORGAN NOMINEES AUSTRALIA	3,365,649	5.14
UBS NOMINEES	1,710,470	2.61
DR RUSSELL KAY HANCOCK	1,614,214	2.46
WARBONT NOMINEES PTY LTD	1,589,858	2.43
SANDHURST TRUSTEES	1,584,589	2.42
NETWEALTH INVESTMENTS LIMITED	1,126,932	1.72
CS FOURTH NOMINEES	1,017,449	1.55
NATIONAL NOMINEES LIMITED	853,799	1.30
MERRILL LYNCH (AUSTRALIA) NOMINEES	761,187	1.16
MR ALISTAIR DAVID STRONG	630,000	0.96
CS THIRD NOMINEES PTY LIMITED	604,833	0.92
MORGAN STANLEY AUSTRALIA SECURITIES	603,963	0.92
MRS VIRGINA CATHERINE HANCOCK	515,031	0.79
ECAPITAL NOMINEES PTY LTD	475,000	0.73
SANDHURST TRUSTEES	361,222	0.55
IMAJ PTY LTD	293,750	0.45
CITICORP NOMINEES PTY LIMITED	270,755	0.41
HOLLYWIND PTY LTD	270,000	0.41