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Medical Developments International

FULL YEAR REPORT 2021

Financial Year Ended 30 June 2021

(Previous corresponding period: financial year ended 30 June 2020)



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COMPANY CHAIR AND CHIEF EXECUTIVE OFFICER REPORT

For the financial year ended 30 June 2021

Overview

Medical Developments International Limited (ASX: MVP) announced a Net Loss after Tax for the twelve months ended 30 June 2021 (FY21) of $12.6m, down from the Net Profit after Tax of $0.4m recorded for the same period in 2020. The FY21 result included the non-cash impairments announced to the market on 16 July in relation to the Medical Devices business and CSIRO Technology Project.

Gross Revenue in FY21 was $25.7m, growing 9% from the $23.6m achieved in the comparable period. As noted in our half year results release, the reduction in people movements, sporting events and ambulance call-outs reduced the number of trauma events and ambulance movements, adversely affecting Australian Penthrox® sales in the first half. Encouragingly, when restrictions eased in the second half of FY21, the company experienced a strong rebound in its local Penthrox® sales with similar trends also observed in international Penthrox® markets.

Respiratory product sales, whilst slightly improved in the second half, were depressed in FY21 as a result of the milder cold and flu season as well as reduced community movement and ongoing improved community hygiene practices.

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Company Chair Update

I have been pleased with the rapid progress by MVP in response to the twin challenges of COVID-19 and retooling the business for international growth. Considerable work remains, but we are seeing early signs of a positive trajectory.

The successful capital raising under David Williams' leadership brought financial stability. Following sterling service by Max Johnston as interim CEO, Brent MacGregor has taken firm command of the business and is doing the heavy lifting of a major operational reset, while simultaneously maintaining business momentum in the midst of the pandemic.

After many years of fine service as a non-executive Director and chair of our Audit and Risk Committee (ARC), Philip Powell will not be seeking re-election at the October AGM. I was very pleased to welcome Richard Betts who is well qualified to succeed Philip onto the Board and as ARC chair.

Our Board was also greatly strengthened by the appointment of Mary Sontrop, who is playing a key role supporting Brent and the leadership team with her international experience.

CEO Update

Since assuming the CEO seat in November, and then arriving in Australia in January, I focused on a deep evaluation of all facets of the organisation. The return of the Penthrox® business from Mundipharma, in Europe and in Australia, offered the opportunity for MVP to reinvent itself and realise the full potential of our lead product.

The Business Transformation project evaluated all facets of the organisation to ensure we had the capabilities to deliver on our global aspirations. Project outcomes included replacement of some leadership team members and the development of critical new business processes to support an international operation.

The Europe Strategy project was a foundation piece to ensure we fully understand the overall size and structure of our key European markets, including critical market access steps. It has been very gratifying to see our European team putting the plan into action and delivering early sales growth. This project also re-affirmed our views on the potential for Penthrox® in these markets.

Both projects were completed in April in time for the development of the FY22 operating plan, allowing for budgeting of key actions.

Looking past the important operational details, I am as confident as I was in November in the potential of MVP. Promising work has continued on our next generation product ("Selfie") and we are beginning to think of other innovations to support strategic sales growth.

Finally, I acknowledge the resilience and commitment of the (now international) MVP team who have worked extraordinarily hard in a difficult and uncertain time to maintain the supply of our important products to patients.

Penthrox®

European transition: moving forward

Reclaiming the marketing and distribution rights in Europe from Mundipharma was completed during the second half of FY21. A smooth and successful transition of the existing sales activities across Europe left MVP poised to execute new launches.

MVP has engaged Medis as our distributor in five Central European markets (Czech Republic, Slovakia, Slovenia, Austria, and Croatia). Medis will undertake a complete marketing and sales effort in Slovenia and Croatia and provide logistics support in the other three markets.

In the United Kingdom and the Republic of Ireland, MVP's partner, Galen, continues to make good progress. Despite the pandemic, in-market sales grew 41% in FY21, with the UK being the key driver.

The Birmingham hospital study was published, articulating the benefits of Penthrox®. Our Galen partners engaged in a roadshow with the study investigator to highlight the study outcomes. We anticipate further penetration within the UK ambulance market to build on

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the successful addition of the Northern Ireland Ambulance Service earlier this year.

Further evidence of Galen's in-market success includes recent launch orders from the St. John Ambulance service in England and the Scottish Ambulance service. MVP and Galen agreed in early 2021 to renew the distribution agreement in the UK and Ireland for a further 5-years.

MVP's partnership with Galen was also extended into new markets this year with an agreement for the Nordic region (Finland, Sweden, Norway, Denmark, and Iceland). Galen is well-positioned to leverage key learnings and successes in the UK and Ireland to build the Penthrox® business across these markets.

We also plan to deploy our own resources directly in other key markets, particularly in France, Belgium, and the Netherlands with Germany, Italy and Spain to follow.

In France, despite a significant reduction in emergency room visits, we saw only a modest sales decline. Consistent with the Europe Strategy, MVP has deployed a key account manager and will follow with eight more in FY22. In Belgium, as one of the few markets with national reimbursement, a similar approach has commenced.

Australia: return of the rights

MVP also took back the Australian distribution rights for Penthrox® from Mundipharma Australia in December 2020. In the lead up to the transition, Mundipharma sold through its existing stock levels which created a gap in local sales – the primary reason for reported Penthrox® sales falling behind the prior year.

The transition has ultimately been seamless and the focus has been on building on the GP and hospital gains made by Mundipharma last year whilst continuing to enhance the business in the core ambulance setting. A number of new Key Account Managers have been appointed to drive further growth in the Australian market in ambulance, GP and hospital settings.

Canada: finding a new partner

MVP has also reclaimed the Canadian Penthrox® distribution rights from Purdue. No fee was paid for the reclamation and a strategic review for Penthrox® in Canada is underway with the expectation of securing a new partnership before the end of 2021.

United States: continuing the discussion

MVP held a 'Type-C' meeting with the FDA in January 2021 where we sought further guidance on a pathway to lifting the IND clinical hold so that we could move into Phase III.

The guidance was received in early April. We convened an advisory group of highly qualified pain management experts to help us develop a clinical trial protocol based on the FDA guidance. We expect to submit a revised clinical trial protocol to the FDA in the first half of FY22.



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China: in the start blocks

MVP has achieved ethics approval for its required Pharmacokinetic study, with the first patient to be enrolled in Q4 2021. The two required additional studies (in trauma and minor surgical procedures) will follow shortly after.

Respiratory

COVID-19 meant that FY21 was difficult for our respiratory sales. We expect sales to recover but a moderated growth outlook resulted in an FY21 impairment charge of $4.706m being raised against the Medical Devices segment goodwill on the balance sheet.

MVP does anticipate an improvement in our respiratory sales in FY22 following the launch of our first private label space chamber product into Walmart in the US in FY21. MVP is also soon to launch its new collapsible spacer into the Australian market, under the Breath-A-Tech brand, which has already been accepted by Australia's largest pharmacy chain, My Chemist Warehouse.

CSIRO Continuous Flow Technology Project

Research has continued with the CSIRO developing alternative manufacturing methods for generic APIs utilising the continuous flow platform technology. The technology (used by MVP for production of Methoxyflurane, the active ingredient in Penthrox®) offers lower costs and a smaller carbon and physical footprint than traditional batch processing. Lidocaine stands as the most advanced process being developed under flow conditions with new targets to follow in the coming year.

Through the last year, progress on formally validating new molecules at commercial scale production levels was slower than anticipated and, to-date, no licenses have been achieved, making reliable estimation of the technology's value-in-use difficult. As a result, MVP has booked a pre-tax impairment provision for $4.3m in relation to the capitalised development costs on the basis that future economic benefit is not assured.

We remain confident in the underlying technology and are continuing to pursue the development project with CSIRO.

FY21 Full Year Financial Result

The impact of the impairments noted above on the FY21 result are summarised below:

After Tax Impact of FY21 Impairment	$m
Pre-Impairment Loss after Tax	(4.714)
CSIRO Project Impairment	(3.145)
Medical Device Goodwill Impairment	(4.706)
Reported/Statutory Loss After Tax	(12.565)

These impairments arose from a comprehensive assessment of the Group's balance sheet assets. Encouragingly, the assessment strongly supported the carrying value of MVP's Penthrox® related assets.

Sales

Gross revenue was up 9%, driven by increased milestone revenue from the Mundipharma hand-back of the Penthrox® Europe distribution rights, resulting in accelerated amortisation of the previously received monies. Gross Margins on product sales remain strong and largely consistent with the prior year.

Expenses

Operating expenses for the year (including impairment charges) increased 128% over the comparable period primarily due to the impairment charges booked in FY21

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($8.96m) and MVP's investment in its Penthrox® European sales and distribution infrastructure. Investment in the European business in FY21 totalled approximately $9.5m, including approximately $4.8m paid to Mundipharma for services associated with the transition activities. Impairment and Penthrox® Europe related costs aside, expenses increased by less than 5% versus the comparative period.

Cash

In December 2020 MVP completed a successful $24.9m capital raise via a placement supported by new and existing institutional investors in Australia and offshore. This was followed by successful completion in January 2021 of a Share Purchase Plan raising a further $11.8m. The combined raisings strengthened MVP's balance sheet. The proceeds are being primarily used to accelerate the commercialisation of Penthrox® in Europe, to strengthen the depth and breadth of the MVP team and to complete clinical and other key studies.

Outlook

MVP anticipates strong sales growth in FY22 driven by rapid development of our European commercial footprint and renewed vigour and focus locally to build on our strong profile in the Australian market. This is despite the ongoing challenges of COVID-19 in our key markets.

We believe the changes in recent months have positioned MVP well for a period of strong international growth.

We look forward to reporting further progress at our AGM scheduled for late October 2021.

BRENT MACGREGOR
CHIEF EXECUTIVE OFFICER

GORDON NAYLOR
COMPANY CHAIR

Further Information:

MARK EDWARDS
COMPANY SECRETARY
03 9547 1888





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Mr Brent MacGregor

Chief Executive Officer

Brent joined Medical Developments International Limited as Chief Executive Officer of the Company from 1 November 2020. Previously Brent was Senior Vice President for Commercial Operations at Seqirus having joined in 2015. Seqirus was formed that year from CSL's acquisition of the Novartis influenza vaccines business and combining it with their own bioCSL operation. Seqirus had a turnover of circa $700m and was loss making. Seqirus by 2019 had a turnover of $1.2b and EBIT of circa $150m. Brent was at the forefront of the company's globalisation, focused R&D and rigorous cost management. Prior to Seqirus, Brent held a number of senior executive roles at Novartis, including CEO of the Novartis influenza vaccine business, President of Novartis Vaccines (U.S.) and Head of North America. Brent joined Novartis in 2012 from Sanofi Pasteur, where he had a 16-year career. He also held a number of senior leadership roles, including Managing Director, Japan; Managing Director of Australia and New Zealand; Vice President of the Influenza/Pneumococcal Franchise and Executive Director of Global Strategic Planning.

Brent graduated in 1986 with a Bachelors degree from Carleton University in Canada, a Masters degree in International Relations from the University of Reading in the UK (1987), and an MBA from the Kellogg Business School at Northwestern University in U.S. (1995).

Board of Directors



Mr Gordon Naylor

BE (Hons), DipCompSc, MBA, CPA, GAICD, FTSE

Non-Executive Chair



Mr Philip Powell

B.Com (Hons) ACA, MAICD

Non-Executive Director



Mr David Williams

B.Ec (Hons), M.Ec, FAI

Non-Executive Director



Ms Christine Emmanuel

B.Sci (Hons), M. ENT, FICPI, MAICD

Non-Executive Director



Mr Max Johnston

Non-Executive Director



Ms Mary Sontrop

B.AppSci, Grad Dip Quality Mgt, Grad Dip Management (Health), MBA, FAICD

Non-Executive Director



Mr Leon Hoare

AssocDipAppSc(Orth), GradDipBus, GAICD

Non-Executive Director



Mr Richard Betts

B.Ec, ACA

Non-Executive Director

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

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

Face masks

- EZ-fit Silicone Face Mask
- MyMDI™ Anti-Static Silicone Face Mask
- MyMDI™ Silicone Face Mask

Oxygen

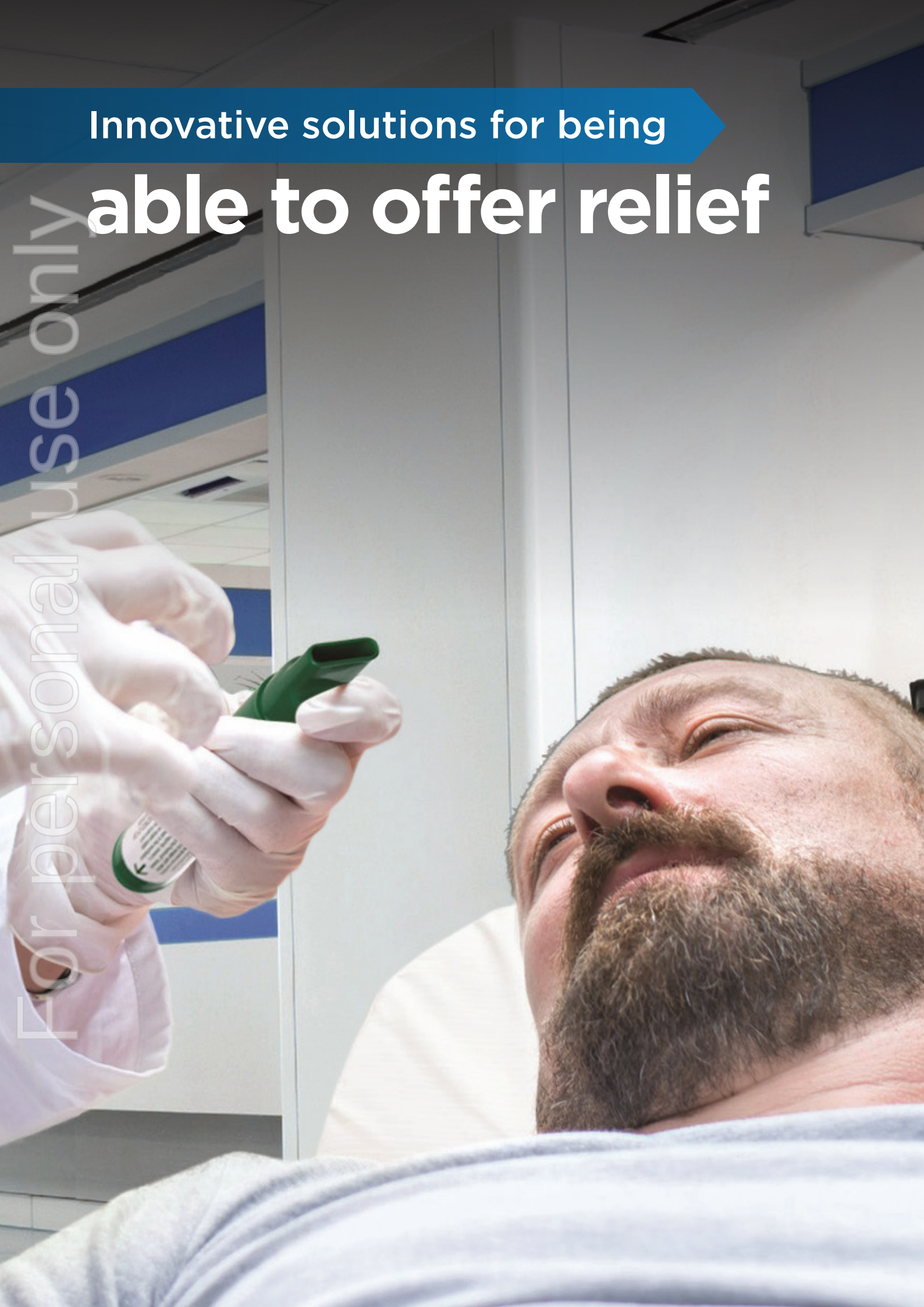
- OXI-Port® oxygen therapy device
- OXI-Sok oxygen therapy device
- OXI-Pro oxygen resuscitation device
- OXI-Life oxygen resuscitation device
- OXI-Saver™ closed circuit oxygen resuscitation device
- OXI-Vac™ suction system

Regulators

- KDK™ regulator/flow meter with oxygen flush

Veterinary

- Breath-Alert® breathing monitor
- LANA closed circuit anaesthetic machine
- Mini-KOM™ anaesthetic machine
- MK5 closed circuit anaesthetic machine
- 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 in 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 to focus on the Australian Ambulance services ensuring that the strong positioning of Penthrox® is maintained. Moving forward, the strategy is to continue to broaden the range of customers (across numerous specialties) domestically and globally with the assistance of Penthrox® distribution partners in specific markets.



Product suite

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

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independent



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Medical devices

Building our product range

MVP's focus in FY22 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
- Peak Flow Meters
- Portable Nebulisers
- Silicone Face Masks

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:

- The acquisition and subsequent expansion of the Breath-A-Tech® range
- Growing sales of our range of Asthma products through established international partners and development of new partnerships. Of note is the ongoing growth in respiratory sales in the USA with MVP products now in approximately 20,000 pharmacies across the USA. MVP now manufactures spacers for Walmart under their 'equate' private label brand.



Product development

To assist in future growth MVP has developed new and improved Space Chambers to assist with product differentiation to increase domestic and international penetration.



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prepared care givers

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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-Vac™ suction system

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

The market

MVP's oxygen equipment is purchased and used by:

- Ambulance services
- Fire brigades
- Lifesaving clubs
- Military



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carers of all creatures



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Veterinary

MVP has a global veterinary presence

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 niche market in Europe. Whilst the majority of MVP's veterinary products continue to be sold into Europe and China through our distributor, Kruuse, MVP also manufactures the VetOne animal spacer products for USA veterinary supplies company, MWI.



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masters in their field



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FULL YEAR REPORT

Financial year ended 30 June 2021

(Previous corresponding period: financial year ended 30 June 2020)

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Directors' Report

The directors of Medical Developments International Limited ("MVP") herewith submit the annual financial report of the company and the entities it controlled ("Group") for the financial year ended 30 June 2021. 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 G Naylor

BE (Hons), DipCompSc, MBA, CPA, GAICD, FTSE

Non-Executive Chair (since 18 December 2020)

Mr Naylor has enjoyed a long and successful international business career. For over 30 years he was a key part of the internationalisation of CSL, holding a range of business and functional leadership roles including Chief Financial Officer. At the time of his retirement from CSL, he was the President of Seqirus where he led the 3-year turnaround of that business into one of the most successful vaccine companies in the world. Mr Naylor joined the MVP Board on 14 October 2020, becoming Company Chair on 18 December and is also Chair of the MVP Human Resources Committee.

Mr D J Williams

B.Ec (Hons), M.Ec, FAICD

Non-Executive Director (since 16 September 2003)

Managing Director of Kidder Williams Ltd, with over 35 years experience in the investment banking sector. He is also Chairman of PolyNovo Ltd and RMA Global Limited. Mr Williams was Non-Executive Chairman of MVP since its listing until 17 December 2020.

Mr R M Johnston

Non-Executive Director (since 5 November 2012), Interim Executive role during the current year

Mr Johnston is Chairman of Auscann Group Holdings Ltd and a former non-executive director and Chairman of Probiotec Limited. He is also a former non-executive director of Enero Group Limited and Polynovo Limited. Mr Johnston 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 was acting CEO of MVP from 5 June 2020 until 31 October 2020.

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 (all divisions) until 2015, one of the Smith & Nephew's largest global subsidiaries outside the USA. He served as President of Smith & Nephew's Asia Pacific Advanced Wound Management (AWM) business for 5 years and was 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. His career has also included a senior role at Bristol-Myers Squibb (medical devices), and as Vice-Chair of Australia's peak medical device industry body, Medical Technology Association of Australia. Mr Hoare is a member of the MVP Remuneration and Nominations Committee. He is also a non-executive director of PolyNovo Limited.

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Mr P J Powell
B.Com (Hons) ACA, 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 RMA Global Limited and BARD1 Life Sciences Limited and a former non-executive director of PolyNovo Limited. Philip is Chairman of MVP's Audit and Risk Committee.

Ms C Emmanuel
B.Sci (Hons), M. ENT, FICPI, MAICD

Non-Executive Director (since 26 May 2020)

Ms Emmanuel is an experienced patent and trademark attorney, and a business development professional having more than 30 years experience locally and internationally. Ms Emmanuel is a former Executive Manager of Business Development and Commercial at the CSIRO, where she founded and led the management of CSIRO's IP team and managed the growth of the CSIRO equity portfolio for over 5 years. Prior to this role, Ms Emmanuel was in-house IP Counsel for Unilever in the UK and practised as a patent and trademark attorney for Wilson Gunn (UK) and Davies Collison Cave and Griffith Hack in Melbourne. She is also currently non-executive director of Polynovo Ltd, IP & Commercialisation manager at RMIT University, Vice President of the Council of Patent & Trademarks Attorneys of Australia and on the Life Sciences Council of SPE Australia.

Ms M Sontrop
B.AppSci, Grad Dip Quality Mgt, Grad Dip Management (Health), MBA, FAICD

Non-Executive Director (since 5 March 2021)

Ms Sontrop has extensive international experience in the biopharmaceutical sector across manufacturing operations, quality, and business integration. During her 28 years with CSL Limited, Ms Sontrop was an integral part of CSL's globalisation through a series of major acquisitions. This included primary responsibility for the turnaround of unprofitable manufacturing operations. Subsequently as head of global plasma manufacturing, Ms Sontrop delivered a globally integrated manufacturing network spanning four countries. As head of CSL's Australia and New Zealand pharmaceutical business, Ms Sontrop and her team delivered Australia's most successful adolescent/adult immunisation program and achieved USFDA (US Food & Drug Administration) approval to manufacture and export CSL's seasonal and pandemic influenza vaccines. Ms Sontrop also has significant international governance experience is currently a non-executive director of IDT Australia Limited.

Mr R Betts
B.Ec, ACA

Non-Executive Director (since 11 May 2021)

Mr Betts is an experienced executive who has held senior roles with ASX listed entities over 20 years. Mr Betts is currently CFO at Ridley Corporation Limited and was previously CFO at Pact Group Holdings Ltd for 6 years. Prior to that he held divisional finance and other executive roles at Orica Limited, these roles provided a deep understanding of working in various jurisdictions, including North America, Europe and Asia. Mr Betts has extensive financial and governance experience within international manufacturing environments.

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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	Polynovo Limited	13 May 2014 - 13 November 2020
	CannPal Animal Therapeutics Limited	Since 21 April 2017
	AusCann Group Holdings Ltd	Since 20 December 2019
	BARD1 Life Sciences Limited	Since 17 June 2019
Philip Powell	Polynovo Limited	13 May 2014 - 13 November 2020
	RMA Global Limited	Since 5 April 2018
	BARD1 Life Sciences Limited	Since 17 June 2019
Leon Hoare	Polynovo Limited	Since 27 January 2016
Christine Emmanuel	Polynovo Limited	Since 13 May 2020
Mary Sontrop	IDT Australia Limited	Since 21 February 2018

Company Secretary

Mr Mark Edwards, B.Acc, ACA. 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

European transition; moving forward

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China: in the starting blocks

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Respiratory Portfolio Developments

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We remain confident in the underlying technology and are continuing to pursue the development project with CSIRO.

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FY21 Full Year Financial Result

Revenue was a record $25.7m, growing by 9% as a result of the increase in contract income during the current year. This income was associated with MVP taking back the EU and Canadian Penthrox® distribution rights, which accelerated the recognition in the Profit and Loss Statement of the previously deferred contract income amounts associated with the partnerships in those regions. As a result, gross margins were also higher.

Expenses increased significantly during the period due to:

- $9.5m of cost associated with the Penthrox® EU transition, including a once off transition services payment to Mundipharma of $4.8m; and
- $9.0m of impairments recognised during the current year related to Medical Devices segment goodwill and the CSIRO Technology project.

Cash flow

At 30 June 2021, the group had $36.3m in cash reserves. The company completed a capital raise during the year as outlined in note 21 which raised $36.7m. During the year MVP invested:

- $9.5m in taking back the Penthrox® EU distribution rights and establishing the required operational infrastructure;
- $3.7 million in clinical trials and registrations for Penthrox®;
- $1.1 million in our manufacturing development program with the CSIRO; and
- $1.2 million in various manufacturing and office equipment.

MVP will continue to invest in its regulatory program, particularly the USA and China Penthrox® registrations in FY22 and beyond.

COVID-19

The internal and manufacturing operations of MVP have not been adversely impacted by COVID-19 shutdowns, given the company is recognised as an essential business and has been able to accommodate ongoing production and work from home practices. Refer above for impact of COVID-19 on the Group's respective segments.

Financial position

Other than the capital raising referred to in note 21, the capital structure of the group remained stable during the period and the Group has no bank debt. The FY21 result included the impact of the $9.0m of non-cash impairments announced to the market on 16 July in relation to the Medical Devices business and CSIRO Technology Project as outlined further in notes 13 and 14.

Changes in state of affairs

Other than as discussed in the "Review of Operations" section above, there was no significant change in the state of affairs of the company during the year.

Subsequent events

There has not been any 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

No dividend was declared in relation to the full year ended 30 June 2021. An interim dividend was declared in the prior year.

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.

	Board of Directors		Audit & Risk Committee	
	Held	Attended	Held	Attended
G. Naylor*	8	8	-	-
D.J. Williams	10	10	-	-
M. Johnston	10	10	3	3
L. Hoare	10	10	-	-
P.J. Powell	10	10	3	3
C. Emmanuel	10	10	3	2
M. Sontrop†	4	4	-	-
R. Betts‡	2	2	1	1

*Gordon Naylor joined the Board on 14 October 2020 and was therefore only eligible to attend 8 Board meetings in the current year.

†Mary Sontrop joined the Board on 5 March 2021 and was therefore only eligible to attend 4 Board meetings in the current year.

‡Richard Betts joined the Board on 11 May 2021 and was therefore only eligible to attend 2 Board meetings in the current year. Richard has also joined the MVP Audit and Risk Committee

The sole Human Resources Committee held during the year was attended by D Williams & L Hoare.

Directors' meetings

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

Directors' shareholdings

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

	Fully paid shares
G. Naylor	266,615
D.J. Williams	9,515,242
M. Johnston	54,300
L. Hoare	31,244
P.J. Powell	269,180
C. Emmanuel	-
M. Sontrop	18,630
R. Betts	3,300

Directors hold no options over shares as at 30 June 2021 (2020: Nil).

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 2021. 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:

- G. Naylor (Chairman from 18 December 2020, non-executive)
- D.J. Williams (Chairman until 17 December 2020, non-executive)
- R.M. Johnston (Executive as outlined further below)
- L. Hoare (non-executive)
- P. Powell (non-executive)
- C. Emmanuel (non-executive)

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- M. Sontrop (non-executive since 5 March 2021)
- R. Betts (non-executive since 11 May 2021)

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

- B. MacGregor (Chief Executive Officer since 1 November 2020)
- R.M. Johnston (Acting Chief Executive Officer until 31 October 2020)
- M. Edwards (Chief Financial Officer/ Company Secretary)

Max Johnston served as acting CEO for the Group between 5 June 2020 and 31 October 2020 as the Board was undertaking the search for the Group's new CEO. Once Brent MacGregor joined as CEO on 1 November 2020, Max conducted a handover of responsibilities to Brent after which he returned to his previous role of non-executive director.

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

2021	Balance at 30 June 2020 No.	Balance held upon joining No.	Issued during the year via SPP No.	Disposals No.	Acquired No.	Net Other Change No.	Balance at 30 June 2021 No.
G. Naylor	-	8,000	4,615	-	254,000	-	266,615
D.J. Williams	9,650,782	-	18,460	(154,000)	-	-	9,515,242
M. Johnston	39,868	-	4,615	-	9,817	-	54,300
L. Hoare	14,129	-	4,615	-	12,500	-	31,244
P.J. Powell	264,565	-	4,615	-	-	-	269,180
C. Emmanuel*	-	-	-	-	-	-	-
M. Sontrop	-	-	-	-	18,630	-	18,630
R. Betts	-	3,300	-	-	-	-	3,300
B. MacGregor	-	-	-	-	-	-	-
M. Edwards	-	-	-	-	-	-	-
	9,969,344	11,300	36,920	(154,000)	294,947	-	10,158,511

*In December 2020 during the capital raising, it was announced that Christine Emmanuel, was allocated approximately $100,000 (15,385 of Placement Shares) through participating in the Placement. The issue of Placement Shares allocated to Christine Emmanuel is subject to MVP shareholder approval at the Group's next AGM scheduled to be held in October 2021. Accordingly, this portion of the placement will not settle until that time.

2020	Balance at 30 June 2019 No.	Issued during the year via DRP No.	Disposals No.	Acquired No.	Net Other Change No.	Balance at 30 June 2020 No.
D.J. Williams	9,608,754	42,028	-	-	-	9,650,782
M. Johnston	39,694	174	-	-	-	39,868
L. Hoare	14,068	61	-	-	-	14,129
P.J. Powell	263,413	1,152	-	-	-	264,565
C. Emmanuel	-	-	-	-	-	-
J. Sharman*	5,179	23	(5,202)	-	-	-
M. Edwards	-	-	-	-	-	-
	9,931,108	43,438	(5,202)	-	-	9,969,344

*John Sharman resigned on 5 June 2020

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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.

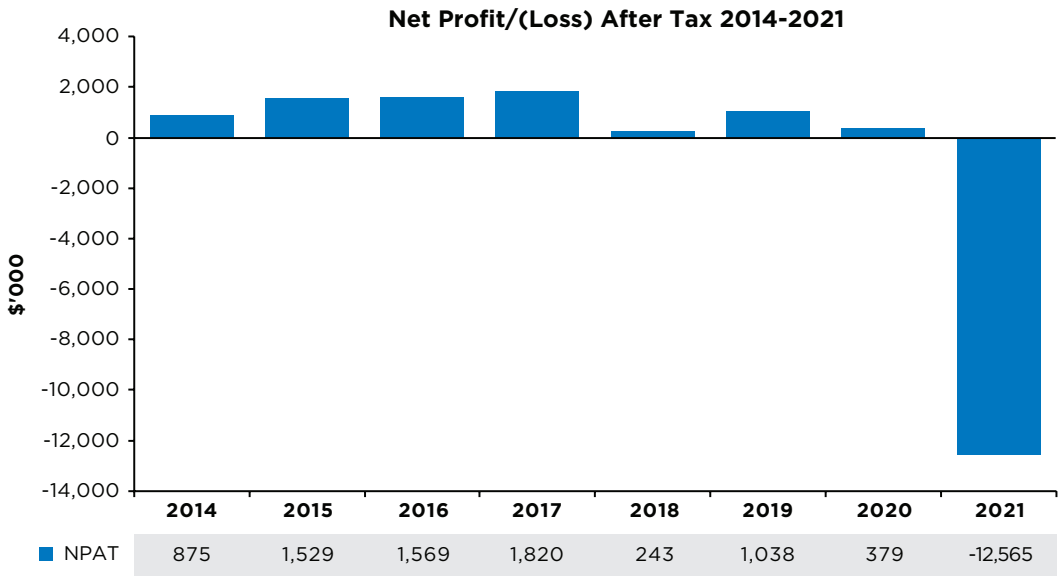
The Human Resources Committee, was reconfigured late in the current financial year and now comprises of G. Naylor, M. Johnston and L. Hoare. This committee determines the salary package of the company CEO and reviews the compensation of the non-executive directors on an annual basis. Changes are approved 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 Revenue, Free Cash Flow and NPAT (Net Profit after Tax), used to directly link company earnings and cash bonuses and other operational measures and individual specific performance measures, the achievement of which provides the basis for future growth and profitability.

The long-term incentive scheme is centred around the achievement of regulatory related performance measures for key territories.

The table and graph below depict the company's earnings for the current financial year and the previous seven financial years.



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

	2014	2015	2016	2017	2018	2019	2020	2021
Share price - start ($)	1.27	1.32	2.68	6.10	4.95	5.80	5.30	6.98
Share price - end ($)	1.32	2.68	6.10	4.95	5.80	5.30	6.98	4.50
Interim Dividend (cps)	-	-	2.00	2.00	2.00	2.00	2.00	-
Final Dividend (cps)	-	-	2.00	2.00	2.00	2.00	-	-
Basic Earnings per Share (cps)	1.50	2.65	1.61	3.10	0.41	1.61	0.58	(18.35)
Diluted Earnings per Share (cps)	1.50	2.65	1.60	3.10	0.41	1.60	0.58	(18.35)

Dividends

No dividend has been declared for the full year (2020: Nil). An interim dividend was declared in the prior 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 2021:

2021	Short-Term Employee Benefits		Post Employment	Long-Term Employee Benefits	Share-Based Payments	Total
	Salary & Fees $	Bonus $	Superannuation $	Long Service Leave $	Options & Rights $	$
Directors						
Gordon Naylor	58,409	-	5,549	-	-	63,958
D. J. Williams	69,444	-	6,597	-	-	76,041
M. Johnston	54,795	-	5,205	-	-	60,000
L. Hoare	54,795	-	5,205	-	-	60,000
P.J. Powell	54,795	-	5,205	-	-	60,000
C. Emmanuel	54,795	-	5,205	-	-	60,000
M. Sontrop	18,265	-	1,735	-	-	20,000
R. Betts	9,132	-	868	-	-	10,000
	374,430	-	35,569	-	-	409,999

Max Johnston served as acting CEO for the Group between 5 June 2020 and 31 October 2020 as the Board was undertaking the search for its new CEO. Max received additional remuneration for this additional work and effort as outlined in the table below.

The following table discloses the remuneration of the key executives of the company in 2021:

2021	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							
B. MacGregor	350,537	-	14,463	266	784,608	1,149,874	68%
M Johnston (Interim Chief Executive Officer)	181,126	-	17,207	-	-	198,333	0%
M. Edwards (CFO/ Company Secretary)	216,819	-	20,598	8,909	55,269	301,595	18%
	748,482	-	52,268	9,175	839,877	1,649,802	

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The following table discloses the remuneration of the directors of the company in 2020:

2020	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	86,758	-	8,242	-	-	95,000
M. Johnston	54,795	-	5,205	-	-	60,000
L. Hoare	54,795	-	5,205	-	-	60,000
P.J. Powell	54,795	-	5,205	-	-	60,000
C. Emmanuel	4,566	-	434	-	-	5,000
	255,709	-	24,291	-	-	280,000

The following table discloses the remuneration of the key executives of the company in 2020:

2020	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 (i) $	$	
Executives							
J. Sharman (Chief Executive Officer)	414,889	60,000	31,394	(7,700)	(234,095)	264,488	-66%
M. Edwards (CFO/ Company Secretary)	197,108	9,132	19,593	5,654	55,421	286,908	22%
	611,997	69,132	50,987	(2,046)	(178,674)	551,396	

(i) The fair value of the options granted to Mr Edwards as part of his remuneration were calculated at grant date using a Black Scholes Option Pricing Model.

(ii) The fair value of options granted to Mr MacGregor as part of his remuneration were calculated at grant date using a Monte Carlo Simulation Model that factors in the vesting triggers that include both stock price and other factors (i.e. service tenure).

Additional details in relation to the valuation methodologies applied are outlined below and also within note 33 of the Annual Report.

Elements of remuneration related to performance

Fees paid to non-executive directors are not directly tied to performance. Salaries paid to the key executives (including executive directors) are also not directly tied to performance. The short term and long-term incentive programmes are directly related to performance and regulatory approvals, 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 2021 financial year, no discretionary bonuses were paid or deemed

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payable based on business performance (2020: $69,132 were determined and approved by the Human Resources Committee in relation to key management personnel in respect of their performance in the 2019 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, typically including market based performance hurdles and non-market based performance hurdles, including service period targets and also the approval of Penthrox® in the USA.

The fair value of share options granted is estimated at the date of grant using either a Black Scholes Option Pricing Model or a Monte Carlo Simulation, 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 typically have 3 months to exercise the relevant options, after which the relevant options will lapse. Each share option converts into one ordinary share of Medical Developments Limited on exercise. No amounts are paid or payable by the recipient on the receipt of the option nor are they tradeable at any time. The options carry neither rights to dividends or voting rights.

Executive option plans

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

CEO option plan

MVP's CEO, Brent MacGregor commenced with MVP on 1 November 2020 at which point in time it was announced that a long-term incentive plan had been agreed to, to encourage his long-term commitment to the business. 1,968,704 options over ordinary shares were issued to the CEO under the Company's Employee Share Option Plan. All options have a nil exercise price and no entitlement to dividends over the vesting period.

The option issue is divided into four equal tranches, with the vesting criteria for each tranche as follows:

- 25% vest on the achievement of a $8 daily VWAP for 30 consecutive trading days (vesting is also subject to the completion of a 4-year service period from the date of achieving the share price hurdle);
- 25% vest on the achievement of a $9 daily VWAP for 30 consecutive trading days (vesting is also subject to the completion of a 3-year service period from the date of achieving the share price hurdle);
- 25% vest on the achievement of a $10 daily VWAP for 30 consecutive trading days (vesting is also subject to the completion of a 2-year service period from the date of achieving the share price hurdle); and
- 25% vest on the achievement of a $11 daily VWAP for 30 consecutive trading days (vesting is also subject to the completion of a 1-year service period from the date of achieving the share price hurdle).

The options are subject to a share price target which commences at the grant date of the option and ceases 7 years from grant date. Following achievement of the share price target, MVP's CEO must complete a service period (as specified above). Each tranche vests at the end of the relevant service period. The service period condition is waived if the share price hurdle is achieved by the 5th anniversary of the options grant e.g. if the share price hurdle is met 4.5 years after grant, the options will vest at the 5th anniversary.

Following vesting and exercise, 50% of the shares will be subject to escrow for 24 months. If employment ceases for any reason prior to vesting, the unvested options are forfeited.

Senior management option plan

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

Under the plan certain Senior Management team members were granted options with

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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 option plans granted during the year and outstanding as at 30 June 2021 are outlined below:

2021	Balance at 30 June 2020 No.	Granted as remuneration No.	Exercised No.	Lapsed/ forfeited No.	Balance at 30 June 2021 No.	Balance vested at 30 June 2021 but not exercised No.	Balance not vested at 30 June 2021 No.	Options vested during the year No.
B. MacGregor	-	1,968,704	-	-	1,968,704	-	1,968,704	-
M. Edwards (CFO)	100,000	-	-	-	100,000	-	100,000	-
Senior Management	300,000	245,000	-	-	545,000	-	545,000	-
	400,000	2,213,704	-	-	2,613,704	-	2,613,704	-

A summary of option plans outstanding in relation to the Group's key management personnel are outlined below:

Issuing Entity	Personnel	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Medical Developments International Ltd	B. MacGregor	1,968,704	Ordinary	$0.00	No expiry
Medical Developments International Ltd	M. Edwards	100,000	Ordinary	$0.01	No expiry

No options vested, lapsed, were forfeited or exercised during the year.

Fair value of share options granted during the year

The only grant of options to Key Management Personnel in the current year was the grant of options to the incoming CEO as outlined above. The fair value of the related options was measured at grant date using a Monte Carlo Simulation Model that factors in the vesting triggers that include both stock price and other factors (i.e. service tenure).

The prior year grant of options contained non-market performance hurdles. The fair value of the related options was measured at grant date using a 'Black-Scholes' Option Pricing Model. Expected volatility was based on the historical share price volatility over the past 2 years prior to grant date. For valuation purposes a probability of 75% has been applied to the likelihood of achieving FDA approval for Penthrox® in the USA.

Inputs into the option pricing models were as follows:

	CEO	CFO
Grant date	1-Nov-20	7-Sep-18
Grant date share price	$5.32	$3.90
Exercise price	$0.00	$0.01
Option Fair Value	$4.47-$4.52	$3.69
Expected volatility	52%	45%
Expected option life	9 years	5 years
Dividend (Bi-annually)	Nil	2c
Risk-free interest rate	0.50%	2.17%
Option Valuation Model	Monte Carlo	Black Scholes

Contracts for services

Mr MacGregor is employed under an open-ended contract with a notice period of 6 months. The contract provides for a termination payment of up to 12 months' salary if termination occurs without proper cause.

Mr Edwards is employed under an open-ended contract with a notice period of four weeks.

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The contract does not provide for any termination payments beyond payment for the notice period and any accrued employee benefit entitlements.

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 ($28,000). The directors do not believe that the nature of these services compromises the general principles relating to auditor's independence, as set out by the Chartered Accountants Australia and New Zealand.

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 33 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.



Gordon Naylor
Company Chair
Melbourne, 25 August 2021



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25 August 2021

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

Dear Board Members

Auditor's Independence Declaration to Medical Devices 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 Devices International Limited.

As lead audit partner for the audit of the financial statements of Medical Devices International Limited for the year ended 30 June 2021, 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; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Travis Simkin
Partner
Chartered Accountants
Melbourne

Liability limited by a scheme approved under Professional Standards Legislation.

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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 2021, 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 the directors' declaration.

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

- Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- 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 (including Independence Standards)* (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 the 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.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying value of the Medical Devices cash generating unit *Refer to Note 13 Intangible assets* As at 30 June 2021, the gross carrying value of the Medical Devices cash generating unit ("MD CGU") included $4.7 million of goodwill and $1.6 million of intangible assets, including indefinite life brand names and assets under development, which are required to be assessed for impairment annually and whenever there is an indicator of impairment. The recoverable amount of the MD CGU has been determined by management based on a value-in-use ("VIU") model, which incorporates significant judgement related to the estimation of future cash flows, short term growth rates, long term growth rates and an appropriate discount rate. The estimation uncertainty associated with future cash flows and key assumptions was elevated at 30 June 2021 due to the continuing uncertainty arising from the COVID-19 pandemic and its impact on macroeconomic factors in key markets, including Australia and the United States. As a consequence of these factors, an impairment loss of $4.7m was recognised in the current year as disclosed in Note 4 and Note 13 to the financial statements, representing the full carrying value of goodwill.	Our procedures included, but were not limited to: • Understanding management's processes and controls related to the preparation of the VIU model for the MD CGU. • Agreeing forecast cash flows for FY22 to the latest Board approved budget, assessing the appropriateness of FY22 budget and EBITDA growth rates applied over the forecast period and in the calculation of the terminal value, with reference to management's current business plans and expectations. • Assessing how management factored in estimation uncertainty in setting the FY22 budget and selecting key assumptions, by comparing the estimates to historical performance and other supporting evidence. • In conjunction with our valuation specialists, assessing the VIU methodology used by management as well as comparing the discount rate and long term growth rate to external benchmark data. • Performing sensitivity analysis on the VIU model by applying varied discount rates and growth projections to simulate alternative market conditions and outcomes. • Evaluating the appropriateness of the disclosures included in Note 13 to the financial statements.
Carrying value of the Pharmaceuticals cash generating unit *Refer to Note 13 Intangible assets* As at 30 June 2021, the carrying value of the Pharmaceuticals cash generating unit ("Pharmaceuticals CGU") included $3.8 million of goodwill and $32.8 million of intangible assets, including development costs associated with the registration of Penthrox in new markets such as the USA and China, which are required to be assessed for impairment annually and whenever there is an indicator of impairment. The recoverable amount of the Pharmaceuticals CGU has been determined by management based on a fair value less cost to dispose ("FV") model, which incorporates significant judgement related to the estimation of future cash flows, short term growth rates, long term growth rates and an appropriate discount rate. The estimation uncertainty associated with future cash flows and key assumptions is contingent upon the Group realising its market opportunity in Europe, achieving registration for Penthrox in the USA and China and realising the market opportunity in these jurisdictions.	Our procedures included, but were not limited to: • Understanding management's processes and controls related to the preparation of the FV model for the Pharmaceuticals CGU. • Agreeing forecast cash flows for FY22 to the latest Board approved budget, assessing the appropriateness of FY22 budget and EBITDA growth rates applied over the forecast period and in the calculation of the terminal value, with reference to management's current business plans and expectations. • Evaluating the status of registration activities in the USA and China with respect to Penthrox through enquiries of management and review of relevant correspondence. • Assessing how management factored in estimation uncertainty in setting the FY22 budget and selecting key assumptions, by comparing the estimates to historical performance and other supporting evidence. • In conjunction with our valuation specialists, assessing the FV methodology used by management as well as comparing the discount rates and long term growth rates used to external benchmark data. • Performing sensitivity analysis on the impairment model by applying varied discount rates and growth projections to simulate alternative market conditions and outcomes. • Evaluating the appropriateness of the disclosures included in Note 13 to the financial statements.

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Capitalisation of intangible assets *Refer to Note 14 Other intangible assets* As at 30 June 2021, the carrying value of the Group's other intangibles assets totalled $34.5 million, including $30.6 million of capitalised registration costs and $2.2 million of capitalised development costs (amongst others). Capitalisation of intangible assets requires management judgement to determine: • Whether expenditure relates to development activity and not research activity, • Whether expected future economic benefits will flow to the Group, • When the amortisation of intangible assets should commence; and • Whether the useful life assigned to each asset category is appropriate. Where expenditure does not meet this criteria, or has historically been capitalised and no longer meets this criteria, it should be expensed or impaired. In the current year, an impairment loss of $4.3 million was recognised in relation to the CSIRO Flow Technology project as disclosed in Note 4 and Note 14 to the financial statements.	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 or expensed to profit of loss, and to understand key controls supporting the process, • Assessing the appropriateness of management's accounting policy for capitalisation and management's application of that policy with respect to current year additions to intangible assets. • Assessing all capitalised intangible assets not yet available for use and a sample of capitalised intangible assets in use at balance date to determine whether it is probable that expected future economic benefits attributable to those assets will flow to the Group, and • Reviewing the listing of capitalised intangible assets at balance date to verify that: - Amortisation has commenced on intangible assets that are in use, and - The useful lives assigned to each asset category are appropriate. • Evaluating the appropriateness of the disclosures included in Note 14 to the financial statements.
Termination of third party distribution arrangements *Refer to Note 19 Other liabilities* On 11 September 2015, the Group entered an exclusive distribution agreement with MundiPharma to distribute Penthrox across Europe. The agreement provided MundiPharma the right to develop, register and commercialise Penthrox in 39 European countries for 10 years. As part of the arrangement, MundiPharma paid $13 million in upfront / milestone payments in accordance with the terms of the arrangement. These amounts have been historically amortised to revenue on a straight line basis over the course of the exclusivity period of 10 years. On 16 October 2020, the Group entered into formal agreements with MundiPharma to affect the termination, with a 6 month transitional period from 1 September 2020 to 28 February 2021, from which date the Group would assume the European distribution rights and sell direct to market. As a result, the Group commenced accelerated recognition of the remaining carrying value of the amounts received from MundiPharma, which totalled $8.7 million as at 1 September 2020. Management fully amortised this balance by 28 February 2021. As part of the arrangement, the Group paid MundiPharma EUR 3 million (A$4.8m) to provide transitional services in the period 1 September 2020 to 28 February 2021.	Our procedures included, but were not limited to: • Understanding management's processes and controls related to the accounting for the upfront / milestone payments. • Reviewing the original distribution agreement to confirm the performance obligations under AASB 15 Revenue. • Reviewing the termination agreement between the Group and relevant parties to understand the terms of the arrangement and the obligations of the respective parties during and after the transition period. • Evaluating the period over which the upfront / milestone payments should be recognised as revenue. • Evaluating the accounting treatment for costs associated with the transition of the distribution rights. • Evaluating the appropriateness of the disclosures included within the financial statements, including Note 19 Other liabilities, Note 30(a) Notes to the cash flow statement and other information such as the Directors Report.

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Other Information

The directors are responsible for the other information. The other information comprises the Chairman's and CEO's Report and the Directors' Report for the year ended 30 June 2021 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 the 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, the 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 the 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.

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We communicate with the 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 the 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, actions taken to eliminate threats or safeguards applied.

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 32 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Medical Developments International Limited, for the year ended 30 June 2021, 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.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Travis Simkin
Partner
Chartered Accountants
Melbourne, 25 August 2021

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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.

Gordon Naylor
Company Chair
Melbourne, 25 August 2021



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Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Financial Year Ended 30 June 2021

	Note	2021 $'000	2020 $'000
Gross revenue from sale of goods and contracts		25,672	23,640
Less discounts and claims		(400)	(1,105)
Net revenue from sale of goods and contracts	4(a)	25,272	22,535
Cost of sales		(6,173)	(7,543)
Gross profit		19,099	14,992
Other income	4(a)	71	336
Distribution expenses		(1,573)	(1,299)
Marketing expenses		(3,177)	(4,083)
Occupancy expenses		(1,256)	(1,266)
Administration expenses		(13,974)	(4,321)
Regulatory expenses		(4,354)	(2,342)
Impairment charges	4(b)	(8,956)	-
Finance expenses		(121)	(114)
Other expenses		(738)	(1,582)
Profit/(loss) before income tax expense		(14,978)	321
Income tax benefit/(expense)	5(a)	2,413	58
Profit/(loss) for the year		(12,565)	379
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss, net of income tax			
Exchange differences on translating foreign operations	22	15	(42)
Total comprehensive income/(loss) for the year		(12,550)	337
Profit/(loss) for the year attributable to:			
Owners of the parent		(12,565)	379
Total comprehensive income/(loss) for the year attributable to:			
Owners of the parent		(12,550)	337
Earnings/(loss) per share:			
Basic (cents per share)	24	(18.35)	0.58
Diluted (cents per share)	24	(18.35)	0.58

Notes to the financial statements are included on pages 45-75

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Consolidated Statement of Financial Position as at 30 June 2021

	Note	30 June 2021 $'000	30 June 2020 $'000
Current Assets			
Cash and cash equivalents	30(a)	36,277	15,544
Trade and other receivables	8	2,648	4,082
Inventories	9	5,728	5,882
Current tax receivable	5(c)	2,337	33
Other	10	397	416
Total Current Assets		47,387	25,957
Non-Current Assets			
Property, plant and equipment	12	11,704	11,781
Deferred tax assets	5(d)	2,237	2,106
Goodwill	13	4,389	9,095
Other intangible assets	14	34,458	35,820
Total Non-Current Assets		52,788	58,802
Total Assets		100,175	84,759
Current Liabilities			
Trade and other payables	15	6,002	5,001
Borrowings	16	-	91
Provisions	17	553	401
Other	19	68	2,394
Lease liability	20	337	326
Total Current Liabilities		6,960	8,213
Non-Current Liabilities			
Provisions	18	294	269
Other	19	21,907	30,000
Lease liability	20	2,712	2,939
Total Non-Current Liabilities		24,913	33,208
Total Liabilities		31,873	41,421
Net Assets		68,302	43,338
Equity			
Issued capital	21	76,895	40,954
Reserves	22	3,545	1,957
Retained earnings/(losses)	23	(12,138)	427
Total Equity		68,302	43,338

Notes to the financial statements are included on pages 45-75

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Consolidated Statement of Changes in Equity

2021	Issued capital $'000	Retained earnings $'000	Employee equity settled benefits reserve $'000	CSIRO option reserve $'000	Foreign currency translation reserve $'000	Total $'000
Opening balance	40,954	427	802	1,200	(45)	43,338
Profit for the year	-	(12,565)	-	-	-	(12,565)
Other comprehensive income for the year, net of income tax	-	-	-	-	15	15
Total comprehensive income for the year	-	(12,565)	-	-	15	(12,550)
Share based payments	-	-	1,167	-	-	1,167
Shares issued - placement	24,900	-	-	-	-	24,900
Shares issued - share purchase plan	11,768	-	-	-	-	11,768
Options issued as part of CSIRO agreement	-	-	-	406	-	406
Equity raising costs	(727)	-	-	-	-	(727)
Closing balance	76,895	(12,138)	1,969	1,606	(30)	68,302

2020	Issued capital $'000	Retained earnings $'000	Employee equity settled benefits reserve $'000	CSIRO option reserve $'000	Foreign currency translation reserve $'000	Total $'000
Opening balance	40,410	2,670	711	800	(3)	44,588
Profit for the year	-	379	-	-	-	379
Other comprehensive income for the year, net of income tax	-	-	-	-	(42)	(42)
Total comprehensive income for the year	-	379	-	-	(42)	337
Share based payments	-	-	91	-	-	91
Dividends paid	-	(2,622)	-	-	-	(2,622)
Options issues as part of CSIRO agreement	-	-	-	400	-	400
Dividends reinvested in the form of shares	557	-	-	-	-	557
Equity raising costs	(13)	-	-	-	-	(13)
Closing balance	40,954	427	802	1,200	(45)	43,338

Notes to the financial statements are included on pages 45-75

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Consolidated Statement of Cash Flows for the Financial Year Ended 30 June 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers		15,937	22,822
Payments to suppliers and employees		(24,775)	(20,896)
Receipts from government grants		44	158
Upfront and milestone payments received		-	200
Interest paid - lease		(66)	(119)
Interest paid		(9)	(20)
Income tax received/(paid)		(21)	(1,973)
Net cash generated by/(used in) operating activities	30(b)	(8,890)	172
Cash flows from investing activities			
Interest received		82	429
Payments for plant and equipment		(1,247)	(1,492)
Payments for other intangible assets		(5,313)	(7,409)
Net cash used in investing activities		(6,478)	(8,472)
Cash flows from financing activities			
Dividends paid (net of DRP)	25	-	(2,065)
Proceeds from the issue of shares/options		37,074	400
Share issue transaction costs		(727)	(13)
Repayment of lease liability		(141)	(197)
Repayment of borrowings	16	(91)	(91)
Net cash generated by/(used in) financing activities		36,115	(1,966)
Net decrease in cash and cash equivalents		20,747	(10,266)
Cash and cash equivalents at the beginning of the financial year		15,544	25,620
Effects of exchange rate changes on the balance of cash held in foreign currencies		(14)	190
Cash and cash equivalents at the end of the financial year	30(a)	36,277	15,544

Notes to the financial statements are included on pages 45-75

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Notes to the Financial Statements

For the financial year ended 30 June 2021

1. Significant accounting policies

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB), and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the company and the entities it controlled for the financial year ended 30 June 2021 ("Group"). For the purposes of preparing the consolidated financial statements, the Group is a for-profit entity.

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB). Consequently, this financial report has been prepared in accordance with and complies with IFRS as issued by the IASB.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, 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 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 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 Corporations (rounding in Financial/Director's Reports) Instrument 2016/191 dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

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.

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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 and long service 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 and annual 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

Trade and other receivables

Trade and other receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method, less a loss allowance.

Impairment of trade and other receivables

The Group assesses the expected credit losses associated with its trade and other receivables on a forward-looking basis. The Group applies the simplified approach to measuring expected credit losses, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, trade and other receivables that share similar credit risk characteristics and days past due are grouped and then assessed for collectability as a whole.

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 suggests there has been a very low level of credit losses in previous years. There has been no observed increase in credit risk to date associated with COVID-19.

(e) Financial instruments issued by the company

Debt and equity instruments

Instruments issued are classified as either debt 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

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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 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.

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

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with no future related costs are recognised as income of the period in which it becomes receivable. Wage subsidies such as JobKeeper have been recognised as an offset against the Employee Benefits expense to which it relates.

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 post-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.

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.

(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 38.5%), 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

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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. The carrying value of patents, trademarks and licenses is reviewed at each reporting date for indicators of impairment. Any impairment loss is recognised as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

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.

The carrying value of internally-generated intangible assets is reviewed at each reporting date for indicators of impairment. Any impairment loss is recognised as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

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 carrying value of registration costs is reviewed at each reporting date for indicators of impairment. Any impairment loss is recognised 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

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testing, brandnames are allocated to the relevant cash generating unit to which they relate. Any impairment loss is recognised as an expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(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 (all 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

The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases and leases of low value assets. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The Group's weighted average incremental borrowing rate used during the year ended 30 June 2021 was 3.55% (2020: 3.55%).

Each lease payment is allocated between the lease liability and finance costs. The finance cost is charged to profit or loss over the period of the lease to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The carrying amount of a lease liability is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. inflation-linked payments or market rate rent reviews). A corresponding adjustment is made to the right of use asset.

Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives;
- any initial direct costs; and
- estimated restoration costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, with depreciation recognised on a straight-line basis over the shorter of the asset's useful life and the lease term. The Group applies AASB 136 *Impairment of Assets* to determine whether a right-of-use asset is impaired.

(o) Financial liabilities

Trade and other payables 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.

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

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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 & equipment and Right-Of-Use asset:	4 - 12 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. The sole performance obligation relates to the delivery of the product related to the order with no after sales service embedded or attached to the underlying sale. Settlement and volume discounts granted to customers are accounted for as offsets against sales.

Upfront and milestone income

Revenue from upfront and milestone payments is recognised as deferred revenue (revenue received in advance) and amortised to profit or loss over the underlying contract term. As the performance obligation represents the provision of a time-based right for the Groups' partners to exclusively sell product in a specific market, the consumption of the right and benefit occurs evenly over the contract period.

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.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of options that will eventually vest 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.

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(u) Application of new and revised accounting standards

The Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period, as summarised below:

- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business.
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material.
- AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework.
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform.
- AASB 2020-4 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions.

The adoption of these new and revised Standards and Interpretations did not impact the disclosures or amounts recognised in the Group's consolidated financial statements.

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:

Standard/Amendment/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2	1 June 2021	30 June 2022
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current	1 January 2022	30 June 2023
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-20 and Other Amendments	1 January 2022	30 June 2023
AASB 2021-2 Amendments to Australian Accounts Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	30 June 2024
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023	30 June 2024

The adoption of the above Accounting Standards and Interpretations is not expected to impact the disclosures or amounts recognised in the Group's consolidated financial statements.

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 date, that could cause 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 recoverable amount of the cash-generating units to which goodwill has been allocated. The recoverable amount 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 of those cash flows.

As the global outbreak of COVID-19 continues to progress and evolve, it is extremely challenging to predict the full extent and duration of its impact on the Group's

business activities. The Group believes that the assumptions adopted in the recoverable amount calculations reflect an appropriate balance between the Group's experience to date, the uncertainty associated with the ongoing impacts of COVID-19 and the long-term growth expectations of its respective businesses.

The carrying amount of goodwill at the balance sheet date was $4,389,000 (2020: $9,095,000). Further details 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 these costs for impairment annually or where an impairment indicator is identified. The recoverability of these costs is ultimately contingent upon achieving registration in these jurisdictions.

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. Based on the Group's latest forecasts, it expects to generate future taxable income, sufficient to recover the carrying value of its deferred tax asset.

Going concern

The FY21 Financial statements have been prepared on a going concern basis.

As at 30 June 2021, the Group has significant cash holdings of $36.277m and undrawn overdraft facilities of $0.2m as set out in note 30(c). The Group has net current assets of $39.849m and net assets of $68.302m.

The Group incurred a loss for the year $12.565m, including non-cash impairment charges of $8.956m (pre-tax) as set out in note 4(b) and $9.495m related to investment in the establishment of operations within the European Union, following the Group's decision to terminate its distribution arrangement with Mundipharma in Europe.

Whilst the Group's manufacturing operations have been largely unaffected by COVID-19 related lockdown restrictions (as they are considered an 'essential service'), its trading performance has been impacted as a result of the effect that movement restrictions have had on the demand for Penthrox® and the Group's Medical Device products, which ultimately contributed to the Group's decision to impair the goodwill related to its Medical Devices business. The Group is confident that demand for its products, in particular Penthrox®, will rebound as movement restrictions are eased and market conditions stabilise in the short to medium term.

The Group generated net cash inflows for the year of $20.747m, comprising:

- Operating cash outflows of $8.890m (principally arising due to the establishment of operations within the European Union and the effects of COVID-19 restrictions on trading performance);
- Investing cash outflows of $6.478m (principally arising from continued investment in registration costs for the US, China and other jurisdictions as well as continued investment in plant and equipment); offset by
- Financing activities, which generated a net cash inflow of $36.115m (principally arising from capital raising activities completed in December 2020 and January 2021).

The directors are satisfied that the Group's cash position and strong net current asset position as at 30 June 2021 will enable the Group to pay its debts as and when they fall due for a period of no less than 12 months from the date these financial statements were approved by the directors. This includes investment activities forecast to occur during the course of the 2022 financial year to fund the establishment of the Group's operations within the European Union and continued pursuit of regulatory approval in the US and China markets for Penthrox®.

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3. Segment information

Products and services within each business segment

The company is organised into three business units – Pharmaceuticals, Medical Devices and Veterinary products. The operating results for these business units are regularly reviewed by the Chief Executive Officer and the Board of Directors to assess their performance and make decisions about the allocation of resources.

The principal products and services of each of these business units are as follows:

- Pharmaceuticals – the sale of Penthrox® primarily within Australia, New Zealand, Europe the UK and some sales in 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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Revenues:										
External revenue (gross)	19,536	13,138	5,756	10,151	380	351	-	-	25,672	23,640
Sales discounts and claims	-	-	(400)	(1,105)	-	-	-	-	(400)	(1,105)
Total external revenue (net)	**19,536**	**13,138**	**5,356**	**9,046**	**380**	**351**	**-**	**-**	**25,272**	**22,535**
Results:										
Segment results	1,883	4,007	57	1,446	170	117	-	-	2,110	5,570
Unallocated							(4,333)	(2,875)	(4,333)	(2,875)
Profit before interest, income tax depreciation & amortisation	**1,883**	**4,007**	**57**	**1,446**	**170**	**117**	**(4,333)**	**(2,875)**	**(2,223)**	**2,695**
Depreciation & Amortisation	(3,159)	(2,132)	(215)	(201)	(26)	(24)	(349)	(240)	(3,749)	(2,597)
Impairment charges	(4,250)	-	(4,706)	-	-	-	-	-	(8,956)	-
Profit before interest and tax	**(5,526)**	**1,875**	**(4,864)**	**1,245**	**144**	**93**	**(4,682)**	**(3,115)**	**(14,928)**	**98**
Net Interest income/(expense)							(50)	223	(50)	223
Profit before income tax expense							**(4,732)**	**(2,892)**	**(14,978)**	**321**
Income tax credit/(expense)							2,413	58	2,413	58
Net profit/(loss) for the year							**(2,319)**	**(2,834)**	**(12,565)**	**379**
Assets and Liabilities										
Assets	51,193	52,856	5,688	11,480	962	977	42,332	19,446	100,175	84,759
Liabilities	-	-	-	-	-	-	31,873	41,421	31,873	41,421
Other Segment Information										
Acquisition of segment assets	6,272	8,378	183	338	34	33	71	153	6,560	8,902

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The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1.

Profit before interest, income tax, depreciation, amortisation and impairment losses is the measure of profit reported to the Chief Executive Officer and Board of Directors for the purposes of resource allocation and assessment of segment performance.

Unallocated assets primarily include cash reserves, deferred tax assets and prepayments. Liabilities are not disclosed per segment as it is not possible to track these on a segment basis.

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 2021 $'000	%	Revenue from external customers 2020 $'000	%
Australia	8,511	33.2%	12,109	51.2%
International	17,161	66.8%	11,531	48.8%
	25,672	100.0%	23,640	100.0%

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

Non-Current Segment Assets	Australia $'000	Overseas $'000	Total $'000
Leasehold improvements at cost	209	-	209
Plant and equipment at cost	10,977	518	11,495
Goodwill at gross carrying amount	4,389	-	4,389
Other intangible assets at cost	34,458	-	34,458
Deferred tax asset	2,051	186	2,237
	52,084	704	52,788

Information about major customers

The Group had no individual customers who contributed 10% or more to the Group's total 2021 sales revenue (2020: $7.985m Mundipharma Australia).

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4. Items included in profit and loss

	2021 $'000	2020 $'000
(a) Revenue and other income		
Gross revenue from sale of goods - at point in time	15,209	21,175
Sales discounts and claims	(400)	(1,105)
Upfront and milestone income - over time	10,463	2,465
Total revenue (net)	25,272	22,535
Interest income - bank deposits	71	336
	25,343	22,871
(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	(1,324)	(1,343)
Amortisation of non-current assets	(2,425)	(1,254)
Research & development costs	(536)	(396)
Penthrox® EU transition costs	(9,495)	-
Impairment - Medical Devices Goodwill	(4,706)	-
Impairment - CSIRO Development Project	(4,250)	-
Share based payments (equity settled)	(1,167)	(91)
Gain/(loss) on foreign currency transactions	(4)	192
Finance expenses		
Interest on lease liability	(112)	(119)
Interest on bank loans	-	-
Interest on other loans/hire purchase arrangements	(9)	5
	(121)	(114)
Employee benefit expense		
Employee benefits	(6,478)	(4,581)
Government subsidies	1,484	396
Superannuation contributions	(737)	(679)
	(5,731)	(4,864)

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5. Income taxes

	2021 $'000	2020 $'000
(a) Income tax recognised in profit or loss		
Tax expense comprises:		
Current tax expense/(benefit)	(453)	1,924
Deferred tax expense/(benefit) relating to origination and reversal of temporary differences	(2,040)	(1,972)
Adjustments recognised in the current year in relation to the current tax of prior year	(15)	(10)
Deferred tax expense/(credit) relating to change in company tax rate	95	-
Total tax expense	(2,413)	(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	(14,978)	321
Income tax calculated at 26% (2020: 27.5%)	(3,894)	88
Research & development benefit	(166)	(163)
Non deductible expenses	1,584	39
Adjustments recognised in relation to the current tax of prior year	(15)	(10)
Deferred tax expense relating to change in company tax rate	95	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(17)	(12)
Income tax expense recognised in the Statement of Profit or Loss and Other Comprehensive Income	(2,413)	(58)
The tax rate used in the above reconciliation is the corporate tax rate of 26% (2020: 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 (2020: $nil)		
(c) Current tax assets/liabilities		
Income tax receivable/(payable)	2,337	33
Non-deductible expenses in FY21 primarily relates to Medical Device segment goodwill impairment charges and also share based payment expenses. The group is in a tax loss position in 2021 and intends to apply tax loss roll back provisions announced by the federal government as part of its 2020 Budget which will enable to the Group to recoup income tax paid in respect to the year ended 30 June 2019.		
(d) Deferred tax asset (current)		
Temporary differences	7,010	10,182
Tax losses	4,187	2,016
	11,197	12,198
(e) Deferred tax liabilities		
Temporary differences	(8,960)	(10,091)
Net Deferred Tax Asset	2,237	2,106

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Taxable/Deductible temporary differences arise from the following:

2021	Opening balance $'000	Charged to income $'000	Closing balance $'000
Deferred tax assets/(liabilities):			
Accrued expenses	150	(34)	116
Deferred revenue	8,909	(3,195)	5,714
Lease liability	898	(105)	793
Lease asset	(770)	112	(658)
Other Intangibles	(9,084)	996	(8,088)
Property, Plant & Equipment	(16)	(6)	(22)
Provisions	225	163	388
Brandnames	(221)	29	(192)
	90	(2,040)	(1,950)

2020	Opening balance $'000	Charged to income $'000	Closing balance $'000
Deferred tax assets/(liabilities):			
Accrued expenses	186	(36)	150
Deferred revenue	9,335	(426)	8,909
Lease liability	952	(54)	898
Lease asset	(845)	75	(770)
Other Intangibles	(7,556)	(1,528)	(9,084)
Property, Plant & Equipment	(10)	(6)	(16)
Provisions	221	4	225
Brandnames	(221)	-	(221)
	2,062	(1,972)	90

6. Key management personnel compensation

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

	2021	2020
Short-term employee benefits	1,123	937
Post employment benefits	88	75
Long-term employee benefits	9	(2)
Share based payments	840	(179)
	2,060	831

7. Remuneration of auditors

	2021	2020
Audit or review of the financial report	132,000	104,000
Taxation compliance services	28,000	26,300
Other assurance services	-	-
	160,000	130,300

The auditor of the entity is Deloitte Touche Tohmatsu.

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8. Current receivables

	2021 $'000	2020 $'000
Trade receivables	2,839	3,923
Allowance for credit losses	(294)	-
GST recoverable	103	159
	2,648	4,082

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 $340,000 (2020: $487,300) which are past due at the reporting date. The Group holds an allowance for expected credit loss of $294,000 in respect to aged debtors that are subject to collection actions. The Group does not hold any collateral over its trade receivable balances.

Ageing of past due but not impaired.

	2021 $'000	2020 $'000
60 - 90 days	46	44
> 90 days	294	343
Total	340	387

Movement in the allowance for credit losses.

	2021 $'000	2020 $'000
Balance at the beginning of the year	-	-
Impaired losses recognised on receivables	(294)	-
Balance at the end of the year	(294)	-

9. Current inventories

	2021 $'000	2020 $'000
Raw materials:		
At cost	1,258	1,244
Work in progress:		
At cost	1,560	1,430
Finished goods:		
At cost	3,262	3,358
Provision for obsolesence	(352)	(150)
	5,728	5,882

The provision for obsolescence at 30 June 2021 represented predominantly obsolete materials.

10. Other current assets

	2021 $'000	2020 $'000
Prepayments	397	416

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	
			2021	2020
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%	100%
Medical Developments USA Inc.	Distribution of medical devices	United States of America	100%	100%
Medical Flow Technologies Pty Ltd	Non-operating	Australia	100%	100%
Medical Developments NED B.V.	Operating	Netherlands	100%	N/A

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12. Property, plant, equipment and right of use asset

	Leasehold improvements at cost $'000	Scoresby Right of Use Asset $'000	Manufacturing Facility $'000	Plant and equipment at cost $'000	Total $'000
Gross carrying amount					
Balance at 30 June 2019	585	-	4,087	8,449	13,121
Additions	7	3,074	-	1,485	4,566
Balance at 30 June 2020	592	3,074	4,087	9,934	17,687
Additions	145	-	-	1,101	1,246
Balance at 30 June 2021	737	3,074	4,087	11,035	18,933
Accumulated depreciation					
Balance at 30 June 2019	(419)	-	(477)	(3,667)	(4,563)
Depreciation expense	(60)	(271)	(341)	(671)	(1,343)
Balance at 30 June 2020	(479)	(271)	(818)	(4,338)	(5,906)
Depreciation expense	(49)	(271)	(341)	(663)	(1,324)
Balance at 30 June 2021	(528)	(542)	(1,159)	(5,001)	(7,229)
Net book value					
As at 30 June 2020	113	2,803	3,269	5,596	11,782
As at 30 June 2021	209	2,532	2,929	6,034	11,704

13. Goodwill

	2021 $'000	2020 $'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
Impairment loss - Medical Devices	(4,706)	-
Balance at end of financial year	4,389	9,095

During the year, the company assessed the recoverable amount of goodwill and recognised a $4.706m impairment loss associated with the Medical Device business (2020: $nil).

Refer to right for further explanation.

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to three 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:

	2021 $'000	2020 $'000
Pharmaceuticals	3,808	3,808
Medical devices	-	4,706
Veterinary	581	581
	4,389	9,095

The recoverable amount for the respective CGUs was determined as follows:

Pharmaceuticals

The recoverable amount was calculated using a 'fair value less costs to dispose' approach, which incorporates cash flow projections over five years and a terminal value, discounted to present value using a risk-adjusted post-tax discount rate.

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The recoverable amount for Pharmaceuticals represents an aggregation of:

1. an estimate of future cash flows attributable to the geographies in which the Group currently operates, allowing for further growth and expansion, assuming EBITDA growth in accordance with the business operating plan for years 2-3, an EBITDA growth rate of 20% for years 4-5 and a long-term growth rate of 2% (2020: 2%). The estimate of future cash flows was then discounted using a post-tax discount rate of 10.3% (2020: 10.3%).
2. an estimate of future cash flows expected to arise from the Chinese and US markets, allowing for expected costs to be incurred to achieve market approval, an estimate of sales volume, gross margin and operating costs and a long-term growth rate of 3% (2020: 3%). The estimate of future cash flows was then discounted using a post-tax discount rate of 20% (2020: 25%).

   The cash flows attributable to the geographies in which the Group currently operates (principally Australia and Europe) rely on continued growth in the short to medium term. The cash flows in these regions were subdued during the period to 30 June 2021 due to COVID-19 and related Government restrictions. The Group expect these impacts to lessen, in the short term, with demand increasing as vaccination programs improve, restrictions are eased and activity levels within respective geographies continue to increase.

   As announced to the ASX on 19 August 2020, the company has signed an agreement to take back the distribution rights for Penthrox® in Europe from Mundipharma. This transition was completed in FY21 and The Group expect these actions to assist in realising the Group's market opportunity.

   MVP remains confident of achieving approval in the Chinese and US markets based on its 40+ years of experience, the demonstrated safety profile of Penthrox® over that time, its ongoing clinical development program and recent achievements in getting Penthrox® approved for sale in more than 40 countries around the world.

Medical devices

The recoverable amount was calculated using a 'value in use' approach, which incorporates cash flow projections over five years and a terminal value, discounted to present value using a risk-adjusted post-tax discount rate.

The recoverable amount for Medical Devices is based on management forecasts for Year 1, incorporating an allowance for growth and expansion in existing markets by assuming an EBITDA growth rate in Year 2-5 of 15% (2020: 15%) per annum and a long-term growth rate of 2% (2020: 2%). The estimate of future cash flows is then discounted using a post-tax discount rate of 10.3% (2020: 10.3%).

The cash flows generated by the Medical Devices business were subdued during the current year vs. FY21 forecast expectations due to COVID-19 and related Government restrictions. Whilst the Group saw an elevation in sales in Q4 FY20 arising from 'panic buying', demand for respiratory devices softened during FY21 as activity levels fell.

The Group is cautiously optimistic that these impacts will be lessened in FY22, with demand increasing as restrictions are eased, vaccination rates improve and activity levels within respective geographies begin to increase. Nevertheless, a moderated forecast for FY22 and beyond has resulted in an impairment charge of $4.706m being recognised against the Medical Devices cash generating unit, which resulted in the full impairment of goodwill allocated to the CGU.

Veterinary

The recoverable amount of the Veterinary CGU is reliant upon trading performance remaining stable at current levels.

As the global outbreak of COVID-19 continues to progress and evolve, it is extremely challenging to predict the full extent and duration of its impact on the Group's business activities. The Group believes that the assumptions adopted in the recoverable amount calculations reflect an appropriate balance between the Group's experience to date, the uncertainty associated with the ongoing impacts of COVID-19 and the long-term growth expectations of its respective businesses.

14. Other intangible assets

2021	Development $'000	Patents & trademarks $'000	Capitalised registration costs $'000	Brandnames $'000	Other $'000	Total $'000
Gross carrying amount						
Balance at 30 June 2019	5,390	1,137	26,498	738	767	34,530
Additions	1,547	180	5,672	-	10	7,409
Balance at 30 June 2020	6,937	1,317	32,170	738	777	41,939
Additions	1,315	258	3,741	-	-	5,313
Balance at 30 June 2021	8,252	1,575	35,911	738	777	47,252
Accumulated amortisation						
Balance at 30 June 2019	(765)	(479)	(3,316)	-	(305)	(4,865)
Amortisation expense	(234)	(99)	(835)	-	(86)	(1,254)
Balance at 30 June 2020	(999)	(578)	(4,151)	-	(391)	(6,119)
Amortisation expense	(837)	(108)	(1,112)	-	(369)	(2,425)
Balance at 30 June 2021	(1,836)	(686)	(5,263)	-	(760)	(8,544)
Accumulated impairment losses						
Balance at 30 June 2021	(4,250)	-	-	-	-	(4,250)
Net book value						
As at 30 June 2019	5,938	739	28,019	738	386	35,820
As at 30 June 2020	2,166	889	30,648	738	17	34,458

The amortisation charge for the year of $2,425,000 (2020: $1,254,000) has been included in administration expenses. For an explanation of amortisation periods refer Note 1 (l).

The carrying amount of Other Intangible Assets allocated to cash-generating units is as follows:

	2021 $'000	2020 $'000
Pharmaceuticals	32,797	34,202
Medical devices	1,581	1,551
Veterinary equipment	80	67
	34,458	35,820

Intangible assets are assessed for indicators of impairment each balance date, or in the case of intangible assets not yet available for use, at least annually. When impairment testing is performed, management estimate the recoverable amount of the intangible asset or the cash generating unit to which the intangible asset belongs.

The impairment loss recognised in the current year relates to the CSIRO Continuous Flow Technology Project. The Group is yet to formally validate new molecules at commercial scale production levels using its flow technology. This has delayed the achievement of a commercial outcome and given the inability to accurately measure the fair value of the technology and to reliably estimate its value in use, the Group has recognised an impairment provision for the full value of these capitalised development costs as at 30 June 2021 on the basis that future economic benefit is not probable. The impairment loss has been included in administration expenses.

15. Current trade and other payables

	2021 $'000	2020 $'000
Trade payables (i)	3,302	3,841
Accrued expenses	2,634	1,102
Employee benefits payable	64	55
PAYG witholding tax payable	2	3
	6,002	5,001

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(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

	2021 $'000	2020 $'000
Secured - at amortised cost		
Other (i)	-	91
	-	91
Current	-	91
Non-current	-	-
	-	91

Summary of borrowing arrangements

(i) During the current year, The Group repaid the final component of the loan form the CSIRO.

(ii) The Group has an overdraft facility of $200,000. As at 30 June 2021, this remains unused.

17. Current provisions

	2021 $'000	2020 $'000
Employee benefits	553	401

18. Non-current provisions

	2021 $'000	2020 $'000
Employee benefits	294	269

The company has 68 full time equivalent employees at 30 June 2021 (2020: 65)

19. Other liabilities

	2021 $'000	2020 $'000
Revenue received in advance	21,245	31,640
Unearned government grant income	730	754
	21,975	32,394
Current	68	2,394
Non-current	21,907	30,000
	21,975	32,394

When MVP receives upfront payments in relation to licensing and distribution agreements for Penthrox®, for accounting purposes these non-refundable payments are deferred and amortised into the profit or loss over the term of the agreement to which the payments relate. As at 30 June 2021, $21.245m (2020: $31.640m) remains unamortised. The significant decrease in the balance of unearned income in the current year is a result of the Penthrox® distributions rights in both the EU and Canada being taken back by MVP, resulting in the remaining unearned revenue associated with those markets, being released to the profit and loss statement as revenue.

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

20. Lease liabilities

	2021 $'000	2020 $'000
Lease liability	3,049	3,265
	3,049	3,265
Current	337	326
Non-current	2,712	2,939
	3,049	3,265

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21. Issued capital

	2021		2020	
	No.	$'000	No.	$'000
Fully paid ordinary shares				
Balance at beginning of financial year	65,623,491	40,954	65,516,746	40,410
Shares Issued - Dividends Reinvestment Plan	-	-	106,745	557
Share issue - Placement	3,830,769	24,900	-	-
Share issue - Share Purchase Plan	1,810,412	11,768	-	-
Capital raising costs	-	(727)	-	(13)
Balance at end of financial year	71,264,672	76,895	65,623,491	40,954

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

In December 2020 MVP completed a successful $24.9m capital raise via a placement supported by new and existing institutional investors in Australia and offshore. This was followed by the successful completion in January 2021 of a Share Purchase Plan raising a further $11.8m.

22. Reserves

	2021 $'000	2020 $'000
(a) Foreign currency translation reserve		
Balance at beginning of year	(45)	(3)
Exchange differences arising on translating the foreign operations	15	(42)
Balance at end of year	(30)	(45)

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations (UK and EU based) 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.

	2021 $'000	2020 $'000
(b) Employee equity-settled benefits reserve		
Balance at beginning of year	802	711
Share-based payments recognised	1,167	91
Balance at end of year	1,969	802

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

	2021 $'000	2020 $'000
(c) CSIRO Option Reserve		
Balance at beginning of year	1,200	800
Option issues for services provided	406	400
Balance at end of year	1,606	1,200

The above CSIRO option reserve at 30 June 2021, relates to 320,410 options (2020: 243,706) 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.

23. Retained earnings

	2021 $'000	2020 $'000
Balance at beginning of financial year	427	2,670
Dividends paid	-	(2,622)
Net profit attributable to members	(12,565)	379
Balance at end of financial year	(12,138)	427

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24. Earnings per share

	2021 cents per share	2020 cents per share
Basic earnings per share	(18.35)	0.58
Diluted earnings per share	(18.35)	0.58

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:

	2021 $'000	2020 $'000
Earnings	(12,565)	379

	2021 No.	2020 No.
Weighted average number of ordinary shares	68,465,397	65,586,805

Diluted earnings per share

Earnings used in the basic earnings per share calculation are identical to those used for the diluted earnings per share calculation. There is no dilution of a loss for earnings per share purpose. Dilutive options outstanding as at 30 June 2020 related to options to employees and also to the CSIRO.

	2021 No.	2020 No.
Weighted average number of ordinary shares used in the calculation of basic EPS	68,465,397	65,586,805
Shares deemed to be issued for no consideration in respect of:		
- Dilutive Options	-	321,957
Weighted average number of ordinary shares for diluted EPS	68,465,397	65,908,762

25. Dividends

No interim or final dividend was paid in the current year. An interim dividend of 2 cents per share was declared and paid in the year ended 30 June 2020.

The interim dividend paid during the 30 June 2020 year resulted in the company paying dividends of $1,170,000 and the balance of $142,000 issued as shares under the Dividend Reinvestment Plan.

	2021		2020	
	cents per share	$'000	cents per share	$'000
Recognised amounts				
Fully paid ordinary shares				
Interim dividend - fully franked	-	-	2.0	1,312
Full year dividend paid during the year - fully franked	-	-	2.0	1,310
	-	-	4.0	2,622
Unrecognised amounts				
Fully paid ordinary shares				
Final dividend - fully franked	-		-	
	-		-	

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	2021 $'000	2020 $'000
Adjusted franking account balance	1,706	1,469

26. Short term leases

	2021 $'000	2020 $'000
Non cancellable operating lease payments:		
Not longer than 1 year	25	59
Longer than 1 year and not longer than 5 years	-	25
Greater than 5 years	-	-
	25	84

Short term leases not accounted for under AASB 16 primarily relate to low value short-term factory leases and office equipment with lease terms < 1.5 years. The company does not have the option to purchase the leased assets at the expiry of the lease period.

27. Commitments for expenditure

(a) Capital expenditure commitments

There were no material capital expenditure commitments at 30 June 2021.

28. Related party disclosures

There were no related party transactions during the 2021 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.

29. Subsequent events

There has not been any 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.



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30. Notes to the Consolidated Statement of Cash Flows

	2021 $'000	2020 $'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	36,277	15,544
	36,277	15,544
(b) Reconciliation of profit for the period to net cash flows from operating activities		
Profit/(loss) for the period	(12,565)	379
Interest received	(82)	(429)
Depreciation and amortisation of non-current assets	3,749	2,597
Net unrealised foreign exchange (gain)/loss	(64)	(222)
Share based payments	1,167	91
Impairment - Goodwill	4,706	-
Impairment - CSIRO Development Project	4,250	-
Increase/(decrease) in tax payable	(2,304)	(2,053)
Decrease/(increase) in deferred tax asset	(131)	23
Movements in working capital		
Decrease/(increase) in assets:		
Receivables	1,434	2,302
Inventories	154	(2,833)
Other assets	19	(115)
Increase/(decrease) in liabilities:		
Payables	1,019	1,974
Provisions	152	44
Other liabilities	(10,419)	(1,552)
Non-current provisions	25	(33)
Net cash from operating activities	(8,890)	172
(c) Financing facilities		
Unsecured bank overdraft facility, reviewed annually and payable at call:		
Amount unused	200	200
	200	200

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31. 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 21, 22, 23, and 30(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.

As at 30 June 2021 the Group had no borrowings, and was in a net cash position, hence it had a nil debt to equity gearing ratio (30 June 2020: 0.2%).

(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), 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 expected credit losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

The Group does not have significant credit risk exposure to any single counterparty in the current year or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities.

(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	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
USD	852	2,705	1,266	2,012
GBP	39	139	1,407	1,282
NZD	34	15	163	415
EUR	1,307	69	454	125
CND	-	2	514	533
	2,232	2,930	3,804	4,367

The Group does not currently consider its exposure to foreign currency to be significant and as such forward contracts and currency

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swap agreements are not used. The Group expects to become increasingly exposed to the Euro as it's Penthrox® European expansion progresses in coming years and will monitor the exposure accordingly.

Foreign currency sensitivity analysis

The Group predominantly trades in Australian dollars (AUD) but has exposure to the US dollar (USD), Great Britain Pound (GBP) and Euro (EUR) 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, GBP and EUR. 10% 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	
	2021 $'000	2020 $'000
USD Impact	(41)	69
GBP Impact	(137)	(114)
Euro Impact	85	-

The exposure to movement in NZD and CAD is not deemed to be material.

(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 following table details the Group's exposure to interest rate risk as at 30 June 2021 and 30 June 2020.

2021	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	0.26%	36,277	-	-	-	36,277
Receivables	-	-	-	-	2,648	2,648
		36,277	-	-	2,648	38,925
Financial liabilities						
Payables	-	-	-	-	6,002	6,002
Lease liability	3.55%	233	1,141	1,675	-	3,049
Borrowings	-	-	-	-	-	-
		233	1,141	1,675	6,002	9,051

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2020	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	1.58%	15,544	-	-	-	15,544
Receivables	-	-	-	-	4,082	4,082
		15,544	-	-	4,082	19,626
Financial liabilities						
Payables	-	-	-	-	5,001	5,001
Lease liability	3.55%	215	1,056	1,994	-	3,265
Borrowings	3.89%	91	-	-	-	91
		306	1,056	1,994	5,001	8,357

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

	2021 $'000	2020 $'000
Profit or Loss	165	77

(h) Liquidity risk management

The Group manages liquidity risk by maintaining adequate cash reserves 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
2021					
Payables	-	6,002	-	-	6,002
Lease Liability	3.55%	337	1,461	1,807	3,605
Borrowings	-	-	-	-	-
		6,339	1,461	1,807	9,607
2020					
Payables	-	5,001	-	-	5,001
Lease Liability	3.55%	326	1,415	2,191	3,932
Borrowings	3.89%	91	-	-	91
		5,418	1,415	2,191	9,024

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32. 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

	2021 $'000	2020 $'000
Assets		
Current Assets	49,890	26,230
Non-Current Assets	50,471	58,749
Total Assets	100,361	84,979
Liabilities		
Current Liabilities	6,540	8,142
Non-Current Liabilities	24,924	33,208
Total Liabilities	31,464	41,350
Equity		
Issued capital	76,895	40,954
Reserves	3,575	2,002
Retained earnings	(11,573)	673
Total Equity	68,897	43,629

Financial performance

	2021 $'000	2020 $'000
Profit/(loss) for the year	(12,246)	296
Dividends paid	-	(2,622)
Total comprehesive income	(12,246)	(2,326)

33. Employee Option Plans

Under the Executive Option Plans, awards are 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 either a Black Scholes option pricing model or Monte Carlo Simulation 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 the Group 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.

Each share option converts into one ordinary share of Medical Developments International 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.

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

CEO Option Plan

CEO, Brent MacGregor commenced with the Group on 1 November 2020 at which point in time it was announced that a long-term incentive plan had been agreed to, to encourage his long-term commitment to the business. 1,968,704 options over ordinary shares were issued to the CEO under the Company's Employee Option Plan. All options have a nil exercise price and no entitlement to dividends.

The option issue is divided into four tranches, with the vesting criteria for each tranche as follows:

- 25% vest on the achievement of a $8 daily VWAP for 30 consecutive trading days (vesting is also subject to the completion of a 4-year service period from the date of achieving the share price hurdle);

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- 25% vest on the achievement of a $9 daily VWAP for 30 consecutive trading days (vesting is also subject to the completion of a 3-year service period from the date of achieving the share price hurdle);
- 25% vest on the achievement of a $10 daily VWAP for 30 consecutive trading days (vesting is also subject to the completion of a 2-year service period from the date of achieving the share price hurdle); and
- 25% vest on the achievement of a $11 daily VWAP for 30 consecutive trading days (vesting is also subject to the completion of a 1-year service period from the date of achieving the share price hurdle).

The options are subject to a share price target which commences at the grant date of the option and ceases 7 years from grant date. Following achievement of the share price target, MVP's CEO must complete a service period (as specified above). Each tranche vests at the end of the relevant service period. The service period condition is waived if the share price hurdle is achieved by the 5th anniversary of the options grant e.g. if the share price hurdle is met 4.5 years after grant, the options will vest at the 5th anniversary.

Following vesting and exercise, 50% of the shares will be subject to escrow for 24 months. If employment ceases for any reason prior to vesting, the unvested options are forfeited.

Senior Management Option Plan – Tranche 1

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

Under the plan certain Senior Management team members were granted 325,000 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. For valuation purposes a probability of 75% has been applied to the likelihood of achieving FDA approval for Penthrox® in the USA. 100,000 options within this issue contain a further vesting trigger being, the delivery of a new Active Pharmaceutical Ingredient (API) from the CSIRO manufacturing technologies project that creates revenue of at least $1m p.a. 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.

Senior Management Option Plan – Tranche 2

An additional Senior Management Option Plan was granted effective from 1 July 2019. Under the plan a certain Senior Management team member was granted 75,000 options with a strike price of $0.01. The options will vest based upon certain milestones as follows:

- 25,000 vest when the FDA approves the opening of the USA IND for Penthrox®;
- 25,000 vest on 2 July 2022; and
- the balance vest in the event of NDA approval in the USA or an unconditional takeover offer for greater than $350m.

For tranche 2, where any of the vesting criteria have been met and the options exercised, the first 50% of the shares will be available to sell immediately without restriction. The remaining 50% of the shares will be subject to an escrow period of 2 years. In the case of an unconditional takeover, the escrow conditions will not apply.

Senior Management Option Plan – Tranche 3

An additional Senior Management Option Plan was granted effective from 1 November 2020.

Under the plan certain Senior Management team members were granted a total of 245,000 options with each option having a strike price of $0.01 and no entitlement to dividends. Similar to the CEO option plan, this issue is divided into a further four equal tranches, with the vesting criteria for each tranche as follows:

- 25% vest on the achievement of a $8 daily VWAP for 30 consecutive trading days (vesting is also subject to the completion of a 4-year service period from the date of achieving the share price hurdle);
- 25% vest on the achievement of a $9 daily VWAP for 30 consecutive trading days (vesting is also subject to the completion of a 3-year service period from the date of achieving the share price hurdle);

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- 25% vest on the achievement of a $10 daily VWAP for 30 consecutive trading days (vesting is also subject to the completion of a 2-year service period from the date of achieving the share price hurdle); and
- 25% vest on the achievement of a $11 daily VWAP for 30 consecutive trading days (vesting is also subject to the completion of a 1-year service period from the date of achieving the share price hurdle).

The options are subject to a share price target which commences at the grant date of the option and ceases 7 years from grant date.

Following achievement of the share price target, MVP's CEO must complete a service period (as specified above). Each tranche vests at the end of the relevant service period. The service period condition is waived if the share price hurdle is achieved by the 5th anniversary of the options grant e.g. if the share price hurdle is met 4.5 years after grant, the options will vest at the 5th anniversary.

Following vesting and exercise, 50% of the shares will be subject to escrow for 24 months. If employment ceases for any reason prior to vesting, the unvested options are forfeited.

Summary of unvested options

2021	Balance at 30 June 2020 No.	Granted as remuneration No.	Exercised No.	Lapsed/ forfeited No.	Balance vested at 30 June 2021 but not exercised No.	Balance not vested at 30 June 2021 No.	Options vested during the year No.
B. MacGregor	-	1,968,704	-	-	-	1,968,704	-
M. Edwards (CFO)	100,000	-	-	-	-	100,000	-
Senior Management	300,000	245,000	-	-	-	545,000	-
	400,000	2,213,704	-	-	-	2,613,704	-

Issuing Entity	Personnel	Tranche	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Medical Developments International Ltd	B. MacGregor		1,968,704	Ordinary	$0.00	No expiry
Medical Developments International Ltd	M. Edwards		100,000	Ordinary	$0.01	No expiry
Medical Developments International Ltd	Senior Management	1-3	545,000	Ordinary	$0.01	No expiry
			2,613,704			

2020	Balance at 30 June 2019 No.	Granted as remuneration No.	Exercised No.	Lapsed/ forfeited No.	Balance vested at 30 June 2020 but not exercised No.	Balance not vested at 30 June 2020 No.	Options vested during the year
J. Sharman (CEO)	300,000	-	-	300,000	-	-	-
M. Edwards (CFO)	100,000	-	-	-	-	100,000	-
Senior Management	225,000	75,000	-	-	-	300,000	-
	625,000	75,000	-	300,000	-	400,000	-

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Fair value of share options granted during the year

As the options contain non-market performance hurdles, they have been valued using either a 'Black-Scholes' Option Pricing Model or a 'Monte Carlo' Simulation 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 (Tranche 1)	Senior Management (Tranche 2)	Senior Management (Tranche 3)
Grant date	1-Nov-20	7-Sep-18	7-Sep-18	1-Jul-19	1-Nov-20
Grant date share price	$5.32	$3.90	$3.90	$5.30	$5.32
Exercise price	$0.00	$0.01	$0.01	$0.01	$0.01
Option Fair Value	$4.47-$4.52	$3.69	$3.69	$5.13 - $5.24	$4.47-$4.52
Expected volatility	52%	45%	45%	45%	52%
Expected option life	9 years	5 years	5 years	1.5 - 4.2 years	9 years
Dividend (Bi-annually)	Nil	2c	2c	2c	Nil
Risk-free interest rate	0.50%	2.17%	2.17%	0.98%	0.50%
Option Valuation Model	Monte Carlo	Black Scholes	Black Scholes	Black Scholes	Monte Carlo

Share Based Payments Expense

	2021 $'000	2020 $'000
Current year expense	1,167	325
Reversal for forfeited options	-	(234)
Share-based payments	1,167	91

34. 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

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Additional Stock Exchange Information as at 31 August 2021

Number of holders of equity securities

Ordinary share capital

71,264,672 fully paid ordinary shares held by 11,844 individual shareholders. All issued ordinary shares carry one vote per share.

Distribution of holders of equity securities

Fully paid ordinary shares

1 – 1,000	6,928
1,001 – 5,000	3,522
5,001 – 10,000	763
10,001 – 100,000	583
100,001 and over	48
	11,844
Holding less than a marketable parcel	1,481

Substantial Shareholders	Number	%
MR DAVID JOHN WILLIAMS	9,515,242	13.35
FIL LIMITED (and associated entities) (reported as of 19 July 2021)	4,091,641	5.74
M&G Plc and its subsidiaries (reported as of 21 October 2019)	3,295,094	5.02

Twenty largest holders of equity securities	Number	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,681,935	14.99
MR DAVID JOHN WILLIAMS	9,515,242	13.35
J P MORGAN NOMINEES AUSTRALIA PTY LTD	3,841,527	5.39
NETWEALTH INVESTMENTS LIMITED (WRAP SERVICES A/C)	2,123,575	2.98
DR RUSSELL KAY HANCOCK	1,614,214	2.27
SANDHURST TRUSTEES (ENDEAVOUR ASSET MGMT MDA A/C)	1,319,769	1.85
NATIONAL NOMINEES LIMITED	875,973	1.23
CITICORP NOMINEES PTY LIMITED	857,359	1.20
BNP PARIBAS NOMS PTY LTD (DRP)	732,550	1.03
BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	707,082	0.99
SANDHURST TRUSTEES LTD (JMFG CONSOL A/C)	673,102	0.94
MR ALISTAIR DAVID STRONG	630,000	0.88
BNP PARIBAS NOMINEES PTY LTD (AGENCY LENDING DRP A/C)	542,986	0.76
MRS VIRGINA CATHERINE HANCOCK	518,487	0.73
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED (NT-COMNWLTH SUPER CORP A/C)	486,410	0.68
JJ OPPERMAN SUPERANNUATION PTY LIMITED	422,711	0.59
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD (DRP A/C)	340,737	0.48
MR MICHAEL CLIFFORD HICKLING & MRS GIOVANNA HICKLING	285,551	0.40
PNSF PTY LTD	269,180	0.38
NAYLOR-STEWART INVESTMENTS PTY LTD (NAYLOR-STEWART FAMILY A/C)	266,615	0.37

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