



**Annual Report**  
**2014**



# Contents

Chairman's Letter to Shareholders	3
Review of Operations	4
Corporate Information and Corporate Governance	9
Shareholder Information	17
Financial Statements	
Directors' Report	18
Declaration of Independence	27
Statement of Comprehensive Income	28
Statement of Financial Position	29
Statement of Cash Flows	30
Statement of Changes in Equity	31
Notes to Financial Statements	32
Directors' Declaration	47
Independent Auditor's Report	48
Corporate Directory	50

# CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

Putting aside the frustrations and the disappointments and another whole year of time, effort and money, I can say that we at MGZ are all still confident and committed to fulfill our objective.

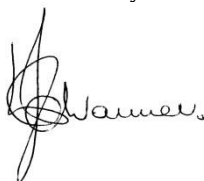
So why the delay?

When the company floated the overarching mandate was to develop and bring to the market **the cheapest and best** safety medical instruments we could conceive. The technology was original and exciting and still is. We have learnt that such attributes come as a "job lot" and the second part of the lot is the difficulties and all the possible solutions – and failures. It is of note that of all the devices of similar usage that are on the market, while many have tried and spent literally hundreds of millions of dollars, there is only one other product remotely like ours. We think we have the solution. So does our manufacturing and distributing allied "partner".

The final problem was (now resolved we believe) the retention of the vacuum for a number of years. Sol Millennium have been working on this for over a year and with the range and price of materials and the ever increasing number of new polymers coming available, they have been continually experimenting to provide the answer. They and we believe we have been successful and the latest (last?) amendment to patents; clinical trials; industry ..... and high volume production planning is within sight.

While the Directors are unpaid and our acting CEO/Co. Secretary similarly rewarded, the costs of maintaining our patents, Statutory Administration and Governance have forced us to fund our ongoing business progress by way of unsecured loans and Convertible Notes, which amounts we have reported to you. We hope there is sufficient monies to bridge the gap until our payments from sales pick up the load. These funds were subscribed by me and our 'partner' Sol Millennium and we have both done so in good faith and upon terms very favorable to Medigard. – This should give some emphasis to the confidence that we both share in the Company and its future.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Don Channer", with a stylized flourish at the end.

Don Channer  
**Chairman**

# REVIEW OF OPERATIONS

## Year in Review

The past year has been a very challenging one for Medigard. Although we had received very positive feedback for the Blood Collection Device (BCD) from both end users and distributors in 2013, we had also experienced market resistance to the primary packaging that was essential for the retention of vacuum in the BCD. It was decided that we needed to address, and if possible, resolve that issue. In the meantime any further promotion of the device would be limited. Significant resources have been applied to researching and testing new materials that would enable the device to be manufactured and stored without primary packaging. Results of testing just completed verify that the work has not been in vain and the BCD will now be manufactured and distributed without primary packaging. Sol Millennium Medical Products Co., Ltd is presently in the process of modifying their production equipment to commence manufacture of the updated device.

Although the delay has been frustrating for all concerned, the outcome is very positive for both the BCD and future devices.

## Patents

During the last year, patents have been granted in Canada for our 3ml syringe, and Australia, United States and Japan for our 1ml syringe. The patent for the Blood Collection Device was granted in Europe and has subsequently been validated in twenty six European countries. The patent for the Blood Flash needle has also been granted in Europe and this has been validated in eight European countries.

## Financial Performance

This year again, the Company's operating costs have been minimised. The Directors have not been paid, the office has been relocated to a smaller, more affordable office and all other costs have been limited.

Our financial performance this year has seen a net loss of \$326,743 up \$4,520 on the loss of \$322,223 in the previous year. Our income for the past year was interest earned on invested securities.

## The Year Ahead

We expect 2014/2015 to be an exciting year for Medigard. Manufacturing of the BCD will commence before the end of the calendar year, and Sol Millennium Medical Products Co., Ltd already has orders for the 'new' device.



The market for safety medical devices is constantly increasing. A new WHO policy on safety injection recommends the use of safety engineered injection devices for reuse prevention and sharps injury protection will be launched at the SIGN (Safety Injection Global Network) meeting in Geneva in December. Medigard Ltd director, Robert Krakowiak will accompany Liang Lin of Sol Millennium Medical Products Co., Ltd to that meeting.



# Patents

## Family Group 3

Australian patent application No. 2004900310 entitled “Improvements to Blood Collection Device” with a Priority Date of 23<sup>rd</sup> January 2004 in the name of Medigard Ltd.

This patent application relates to a blood collection device incorporating a syringe element and a vacuum tube for retracting the needle.

PCT/AU2005/000063

This application was completed on 21 January 2005. A Worldwide Patent Co-operation Treaty (PCT) application for the Improvements to a Blood Collection Device was lodged on 21<sup>st</sup> January 2005.

An International Report received on this patent was favorable and considers 9 of the 10 claims to be novel, inventive and all of the claims to have industrial applicability.

This device entered the National Phase on the 21<sup>st</sup> July 2006 in the following countries:-

Australia	205207079
Canada	2552971
United States	10/587139
Europe	05700095-2
Japan	2006-549781

Number	Country	Status
2005207079	Australia	Granted 11/09/2008
7544169	United States	Granted 09/06/2009
4653118	Japan	Granted 24/12/2010
2552971	Canada	Granted 20/08/2013
1706032	Europe – validated in Austria, Belgium, Bulgaria, Switzerland, Cyprus, Czech Republic, Germany, Denmark, Spain, Finland, France, United Kingdom, Greece, Hungary, Ireland, Iceland, Italy, Lithuania, Netherlands, Poland, Portugal, Romania, Sweden, Slovenia, Slovakia, Turkey	Granted 08/01/2014

## Family Group 9

Australian patent application No 2006901267 entitled “A Needle Containing Medical Device with Variable Locking to Needle Holder” with a Priority Date of 13<sup>th</sup> March 2006 in the name of Medigard Limited.

This patent relates to a disposable single use syringe which includes a needle attachment member and a plunger incorporating a piston. This piston is able to incrementally engage to the needle member so it can be retracted into the interior of the plunger by vacuum.

PCT/AU2007/000299

This application was completed on 9<sup>th</sup> March 2007. A Worldwide Patent Co-operation Treaty (PCT) application for “A Needle Containing Medical Device with Variable Locking to Needle Holder” was lodged on 9<sup>th</sup> March 2007.

This device entered National Phase on 13<sup>th</sup> Sep 2008 in the following Countries:-

Australia	2007225005
Canada	2642894
United States	12/293024
Europe	07718556.9
Japan	2008-558591
India	8397/DELNP/2008
China	200780008994.X
South Africa	2008/08532

Number	Country	Status
2008/08532	South Africa	Granted 30/12/2009
8034024	United States	Granted 11/10/2011
2007225005	Australia	Granted 08/12/2011
ZL201010598997.7	China	Granted 31/10/2012
5149817	Japan	Granted 07/12/2012
2642894	Canada	Granted 16/09/2014

#### **Family Group 11**

Australian patent application No. 2008903652 entitled “A Retractable Syringe” with a priority Date of 17<sup>th</sup> July 2008 in the name of Medigard Limited.

This patent relates to a disposable single use syringe with a fixed needle and is retracted automatically by vacuum when activated; this device also has an auto needle cap ejector.

PCT/AU2009/000918

This application was completed on the 17<sup>th</sup> July 2009. A worldwide Patent Co-operation Treaty (PCT) application for “A Retractable Syringe” was lodged on 17<sup>th</sup> July 2009.

This device entered National Phase on 17<sup>th</sup> January 2011 in the following Countries:-

Australia	2009270343
Canada	2731117
United States	13/054534
Europe	09797278.0
Japan	2011-527909
India	1114/DELNP/2011



China 200980133512.2  
South Africa 2011/01094

Number	Country	Status
2011/01094	South Africa	Granted 25/04/2012
ZL200980133512.2	China	Granted 24/04/2013
2009270343	Australia	Granted 17/01/2014
13/054534	United States	Granted 21/01/2014
5599394	Japan	Granted 22/08/2014

### Family Group 12

Australian patent application No. 2009905146 entitled “Blood Flash Needle” with a Priority Date of 22<sup>nd</sup> October 2009 in the name of Medigard Limited.

This patent relates to a device for drawing fluid from a lumen. In particular, the present invention relates to a device for drawing blood from a blood vessel.

This device allows for visual observation of fluid (for instance, blood) which confirms the needle tip is correctly positioned.

PCT/AU2010/001334

This application was completed on the 11<sup>th</sup> October 2010. A worldwide Patent Co-operation Treaty (PCT) application for a “Blood Flash” was lodged on 11<sup>th</sup> October 2010.

This Device entered National Phase on 22<sup>nd</sup> April 2012 in the following Countries

Australia 2010310866  
Canada 2778394  
United States 13/503571  
Europe 10824295.9  
Japan 2012-534494  
India 3670/DELNP/2012  
China 201080054026.4  
South Africa 2012/03001

Number	Country	Status
2010310866	Australia	Granted 05/12/2013
2012/03001	South Africa	Granted 26/06/2013
10824295.9	Europe – validated in France, Germany, Italy, Netherlands, Poland, Portugal, Spain, Sweden	Granted 07/05/2014

# CORPORATE INFORMATION

## Directors

### **Don Channer, Chairman**

B.Eng (University of Queensland)

Mr. Channer's career of over 50 years has been one of building many and varied successful enterprises. Commencing his working life in his own engineering consultancy practice, he expanded that business into international civil contracting with clients including Government and major corporations in Australia and S.E Asia. Mr Channer is a director of several private companies.

Mr. Channer is a member of the Nomination and Remuneration Committee and the Finance Committee.

### **Mr Robert Krakowiak, Non-Executive Director**

Robert has an established a reputation in the healthcare industry as a champion of the development of affordable safety medical devices and has developed a close association with the SIGN (Safe Injection Global Network) Secretariat at the WHO (World Health Organization), PATH (Program for Appropriate Technology in Health), Swiss Red Cross, UNICEF and other agencies.

Robert has in excess of 28 year's international trade experience and more than 30 years working in the healthcare industry.

Mr Krakowiak is a member of the Audit and Risk and Nomination and Remuneration Committees.

### **Chris Bishop, Non-Executive Director**

B.Sc. (University of Auckland), Ph.D. (Experimental Pathology) (University of Queensland)

Dr Bishop is Managing Director of Intellidesign Pty Ltd, an electronic design and manufacturing company that specialises in sophisticated electronic products including precision medical instruments and mobile wireless communication devices. After an academic career, Dr Bishop joined Cook Australia where he helped establish and manage a research and management group and manufacturing division in products that today are still widely exported internationally.

He chairs the Board's Finance Committee and is a member of the Audit and Risk Committee and the Nomination and Remuneration Committee.

### **Patricia Boero, Company Secretary and Chief Financial Officer**

B.Bus., FCA.

Mrs Boero is the former Principal of successful accounting practice. A Chartered accountant for over 30 years, Mrs Boero has a variety of interests and continues to work with a clientele comprising a range of companies and industries. Mrs Boero has been a member and advisor to several Not for Profit organizations and is a director of several private companies.

## Corporate Governance Statement

The Board of Medigard has always taken seriously the need for high standards of corporate governance and its continuous improvement. Medigard, where possible, continues to comply with the Corporate Governance Principles as published by the ASX Corporate Governance Council. The Company has applied the principles to the extent that its small size and stage of development will allow.

Medigard's Board Charter has established the Board's overall and specific responsibilities and the roles it has delegated to management. The Board has delegated general authority for the operations of Medigard to the Chief Executive Officer and in the absence of a Chief Executive Officer, the Company Secretary. Given the company's small size and the current position in the evolution of the Company, the Board takes an active role in all decisions of any strategic or financial importance.

The Board's overall responsibility is to promote the success of Medigard as a designer, developer and owner of medical devices. The Board Charter also clearly separates the duties of the Chairman and management and establishes various committees with board representation, namely Audit and Risk, Finance and Nomination and Remuneration. Each of these committees operates under a separate charter.

The Audit and Risk Committee has a general responsibility to review the integrity of the Company's financial and external reporting and the activities and independence of the company's auditors. In addition, the Committee reviews the management processes for identification of risk and its monitoring and control. There was one meeting of the Committee during the year attended by all members current at the time.

The Finance Committee has a general responsibility to review the integrity of the Company's finances including its budgeting, financial performance, management accounts and investments. There were no meetings of the Committee during the year as each Director has been active in the areas of responsibility of the Finance Committee.

The Nomination and Remuneration Committee has a general responsibility to nominate potential directors to the Board and to establish standards for the ongoing performance of the Board. In addition, the Committee will make recommendations to the Board as to the remuneration of Board members, the Chief Executive Officer and senior management of Medigard. No meetings were held during the year.

As a policy, Independent research is carried out on appropriate remuneration of both directors and executives including the element of remuneration attaching by way of performance. Performance is linked to achievement of milestones rather than share price. The Chairman and the Directors collectively review the Board's performance and the level of skills and training needed. The Board from time to time also considers potential candidates for additional or replacement board members. The Company has a medium term aim of enhancing the Board with a variety of skills and experience and is cognizant of the need for gender diversity. In the case of the Board and senior staff, formal assessment review processes are in place. Due to the Company's financial position in the past year, the Directors have not been remunerated so this policy has not been adhered to.

The Company has a Code of Conduct under which employees and consultants are required to act honestly and with integrity, comply with all laws and protect the confidentiality and other interests of the Company. The Directors have also separately signed a Corporate Ethics Policy detailing the directors' obligations in dealing in Medigard securities. The Company has a Trading Policy binding all

those who work for the Company as employees or consultants. Under that policy insider trading is specifically prohibited and a trading in the company's securities requires the Chairman's prior knowledge. Hedging of options is not permitted.

Medigard has reviewed its compliance with the revised Principles where indicated below. Details are as follows:

### **Principle 1: Lay solid foundations for management and oversight**

#### **Recommendation 1.1 - Functions of the board and those delegated to management**

**Response:** The Board Charter details the functions of the board and management. Specifically, the Board is responsible for:

- Setting the strategic direction of Medigard and monitoring performance of the company's progress within that strategy
- Ensuring that there are sufficient financial, operational and human resources to meet the company's objectives
- Appointment and removal of the CEO and, where appropriate, senior executives and consultants
- Approval and monitoring of financial reporting, capital management and business objectives
- Ensuring adequate risk management measures are implemented and monitored
- Ensuring appropriate governance structures and ethical standards are maintained within the company
- Ensuring that the Board itself remains skilled and resourced to meet Medigard's needs and expected growth.

Delegated to senior management and in particular the CEO is general authority for the operations of Medigard. Specifically, The CEO (or his substitute) is responsible for:

- The efficient and effective operation of Medigard
- Ensuring that all directors are fully informed and provided with accurate and clear information on which to base their decisions
- Ensuring that all matters that materially affect Medigard are brought to the board's attention
- Representing the company and being Medigard's primary spokesperson

The Board Charter also deals separately with the roles of Chairman, Board Committees and the Secretary.

#### **Recommendation 1.2 - Process for performance evaluation of senior executives**

**Response:** A performance evaluation process exists for all senior executives and should be carried out at least annually. It has not taken place within the reporting period. The process is a formal review with the opportunity provided for individual discussion and goal setting against targets.

#### **Recommendation 1.3 - Provide the information**

**Response:** The Board Charter is available at the Company's premises.

## **Principle 2: Structure the board to add value**

### **Recommendation 2.1 Majority of Board should be independent directors**

**Response:** Both Dr Chris Bishop and Mr Robert Krakowiak, are independent. They are not substantial shareholders nor have they previously been employees, advisors or consultants, and they have no material contract with the company as supplier, contractor or otherwise. The other director, Mr Don Channer is a substantial shareholder. In due course the company will consider the appointment of further independent directors including an independent Chairman.

### **Recommendation 2.2 Chairperson should be independent**

**Response:** See response in 2.1.

### **Recommendation 2.3 Chairperson and CEO should not be the same**

**Response:** They are not.

### **Recommendation 2.4 Board should establish a Nomination Committee**

**Response:** The nomination function is incorporated in the combined committee known as the Nomination and Remuneration Committee. There is a Charter for that Committee and responsibilities of members are set out in that document. It is available at the Company's premises. Members are Robert Krakowiak, Don Channer, and Chris Bishop.

There is presently a majority of independent directors but the Chairman is not independent. The functions of the Committee are to make recommendations to the Board as to the remuneration of Board members, the Chief Executive Officer and senior management of Medigard. Specifically, the Committee is responsible for:

- Assessing the desirable competencies of Board members
- Reviewing Board succession plans
- Evaluating the Board's performance and recommending appropriate education and training
- Making recommendations to the Board for the appointment and removal of directors to the Board
- Making recommendations to the Board on remuneration policies and packages for senior executives of Medigard, including incentive schemes, superannuation and other emoluments
- Recommending appropriate remuneration of directors.

In considering board appointment and re-appointments the Committee considers competencies, experience and skills required, the need for renewal, and board size. In accordance with the Company's Constitution, Dr Chris Bishop is standing for re-election at the forthcoming Annual General Meeting. Full details of his candidacy and relationships are contained on page 9. Dr Christopher Bishop is a Non Executive Director of Medigard and has been a director since 2008.

## **Recommendation 2.5 Process for performance evaluation of Board**

**Response:** A formal performance evaluation process exists comprising a survey circulated amongst and reviewed by all Board members. A review has not taken place in the reporting period. Induction and training is available to all directors and access to information, including independent professional advice, is freely given at the Company's expense. The Board works closely with the Company Secretary who is available to meet the needs of the directors, provide advice and support and is accountable on all governance matters.

## **Recommendation 2.6 Provide information on Principle 2**

**Response:** The skills and experience of the Board members have been provided at page 9. Dr Chris Bishop and Mr Robert Krakowiak are considered independent directors. Don Channer has held office as director since 1999, Chris Bishop since 2008 and Robert Krakowiak since 2013. Information supporting the responses in this principle 2 is available from the company.

## **Principle 3: Promote ethical and responsible decision making**

### **Recommendation 3.1 Establish a company Code of Conduct**

**Response:** A Code of Conduct exists by which directors, staff and contractors are bound. Specifically under the Code, the Company, its directors, employees, contractors and consultants will:

- Act with honesty, integrity and fairness in all dealings associated with the Company
- Comply with all laws and regulations which govern the operations of Medigard
- Not knowingly participate in any illegal or unethical activity
- Not participate in any activity that conflicts with the interests of Medigard including taking advantage of property, information or position for personal gain
- Protect the confidentiality of Medigard and its stakeholders
- Protect and properly use the Company's assets including its intellectual property and its reputation
- Comply with the Company's trading policies and other standards of conduct as set out from time to time
- Report as appropriate any unethical or illegal behaviour.

Regular review and training occur in respect of the Code.

### **Recommendation 3.2 Diversity Policy**

**Response:** Due to the size of the Company and the small number of Directors and Executives, the Company does not have a Diversity Policy.

### **Recommendation 3.3 Gender**

**Response:** Refer to Response at Recommendation 3.2 above.

### **Recommendation 3.4 Female Employees**

**Response:** Refer to Response at Recommendation 3.2 above. The Company Secretary / CFO is female.

### **Recommendation 3.5 Provide information on Principle 3**

**Response:** The Company's Code of Conduct is available at its premises.

### **Principle 4: Safeguard integrity in financial reporting**

#### **Recommendation 4.1 Establish an audit committee**

**Response:** The audit function forms part of the Charter for the Audit and Risk Committee

#### **Recommendation 4.2 Structure of the Audit Committee**

**Response:** The Audit and Risk Committee during the reporting period comprised two directors and one other member being CFO, Patricia Boero. The director members were Dr Chris Bishop and Robert Krakowiak. Qualifications of the current members have been described on page 9. All members are financially literate and understand the company's industry with Mrs Boero being a Chartered Accountant. The Audit Chairman is an independent director and is not Board Chairman. Because of the size of the Company and for reasons given in response to 2.1 above, the company is not able to demonstrate a majority of non-executive and independent directors.

#### **Recommendation 4.3 Audit Committee to have a formal charter**

**Response:** A formal Charter exists. Under the charter the Committee has a general responsibility to review the integrity of the Company's financial and external reporting and the activities and independence of the company's auditors. In addition, the Committee reviews the management processes for identification of risk and its monitoring and control. Specifically, the Committee is responsible for:

- Reviewing all financial statements intended for publication and then recommend or otherwise execution by the Board
- Reviewing the standards and approach taken by the Company's auditors and ensure that all audit activities are carried out with maximum independence, efficiency and thoroughness
- Monitoring and reviewing the effectiveness of the Company's risk management assessment and processes and the internal structures implemented to control risk
- Review and be generally responsible for reporting to the Board on matters of compliance and corporate governance.

#### **Recommendation 4.4 Provide information on Principle 4**

**Response:** The Audit and Risk Committee Charter is available at the Company's premises. There is a procedure for selection and rotation of the external auditor.

### **Principle 5: Make timely and balanced disclosure**

#### **Recommendation 5.1 Establish written policies and procedures for continuous disclosure**

**Response:** a Continuous Disclosure Policy exists binding all directors, staff and contractors. Specifically provided for in the policy are:

- details of the obligations under the Corporations Act and the ASX Listing Rules
- a requirement for directors and management to notify the Company Secretary as soon as they become aware of any information that could be considered market sensitive

- a process by which the information is analysed and a determination made by the Company Secretary in conjunction with the Chairman as to disclosure or otherwise
- a process to deal with analyst briefings and media liaison whereby all presentations are reviewed by the Company Secretary
- all liaison and correspondence with the ASX occurs through the office of the Company Secretary

## **Recommendation 5.2 Provide information on Principle 5**

**Response:** The Continuous Disclosure Policy is available at the Company's premises.

## **Principle 6: Respect the rights of shareholders**

### **Recommendation: 6.1 Design a communications strategy**

**Response:** A marketing and communications program exists. The principal form of communication is the Company's website which is updated from time to time and contains all announcements and relevant press reports. In addition, the company provides updates directly to shareholders for whom it has an email address and from time to time sends written updates to all shareholders by mail.

## **Recommendation 6.2 Provide information on Principle 6**

**Response:** So provided.

## **Principle 7: Recognise and manage risk**

### **Recommendation 7.1 Policies for oversight and management of material business risks**

**Response:** The company has determined that risk management is a vital part of ensuring its long term sustainability. The Board recognizes that it is ultimately responsible for sound risk management. The systems and processes have been developed for monitoring and reporting on risk. A Risk Management Policy in which material risks are highlighted and reviewed at first by management, thence by the Audit and Risk Committee and finally at Board level. The Audit and Risk Committee is a board committee charged with ensuring that management has adequately identified risk, is monitoring those and reporting to the Board in a timely manner. The Audit and Risk Committee usually meets twice yearly and risk management is reviewed at those meetings as a key agenda item.

Specifically provided for in the Risk Management Policy are:

- the components of the risk management process namely identification, minimisation, containment, recovery and review and re-assessment
- the construction and review of a risk matrix that identifies the risks in the company's business
- the components of the matrix include identification of the risk, peril, impact, likelihood and minimisation control
- the matrix identifies risks under the general headings of political, economic, social, competitive, regulatory, reputational, financial, legal, technology, operations and personnel.



## **Recommendation 7.2 Risk management system**

**Response:** The company's risk management system is detailed in 7.1 above and is monitored by the Audit and Risk Committee and ultimately by the Board. Management has reported to the Board as to the effectiveness of the company's management of the company's material business risks.

## **Recommendation 7.3 CEO and CFO assurance**

**Response:** In the absence of a Chief Executive Officer, the Board has received an assurance from the Chief Financial Officer that the declaration provided in accordance with Section 259A of the Corporations Act is founded on a sound system of risk management and that the system is operating effectively in all material respects in relation to financial reporting risks.

## **Recommendation 7.4 Provide information on Principle 7**

**Response:** So provided.

## **Principle 8: Remunerate fairly and responsibly**

### **Recommendation 8.1 Establish a Remuneration Committee**

**Response:** The Company has combined the nomination and remuneration functions in one Committee which is detailed above in 2.4 above. The Nomination and Remuneration Committee has a charter which includes the Company's policies on remuneration generally and the responsibilities of the Committee to review and report on senior executive and director remuneration. An outline of the policy is also provided in 2.4 above.

### **Recommendation 8.2 – Structure of Remuneration Committee**

**Response:** The Remuneration Committee consists of the three directors. There are two independent directors.

### **Recommendation 8.3 Distinguish non-executive directors, executive directors and management**

**Response:** Previously, both non executive and executive directors have received cash fees only together with superannuation. No directors' fees have been paid during the current year. Both Don Channer and Dr Chris Bishop are shareholders. All members of management have, on one occasion, been granted options in lieu of salaries. Details of remuneration are contained on pages 21 to 24 of this Annual Report.

### **Recommendation 8.4 Provide information Principle 8**

**Response:** So provided.

# SHAREHOLDER INFORMATION

## Number of holders of Ordinary Shares

91,007,472 ordinary fully paid quoted ordinary shares are held by 658 individual shareholders. All issued ordinary shares carry one vote per share and the right to dividends.

## Distribution of holders of Ordinary Shares

Holding Ranges	Holders	Total Units	%
1-1,000	18	4,578	0.005
1,001-5,000	57	199,312	0.219
5,001-10,000	135	1,221,946	1.343
10,001-100,000	336	12,697,398	13.952
100,001-99,999,999,999	112	76,884,238	84.481
<b>Totals</b>	<b>658</b>	<b>91,007,472</b>	<b>100.000</b>

## Unmarketable Parcels

Based on the 17.10.14 closing price of .015c per share, an unmarketable parcel is one of 33,333 or fewer shares

Holding Ranges	Holders	Total Units	%
1-33,333	404	5,392,661	5.92

## Twenty largest holders of Ordinary Shares

Holder Name	Balance as at 20-10-14	%
Donald Julian Channer	27,117,692	29.797
Sun Sea Pty Ltd	4,566,004	5.017
Dr Peter William Clark	3,171,032	3.484
Ganbaru Pty Ltd (The Parrish Super Fund A/C)	2,727,004	3.007
Mr Richard Lutkajtis (Richards Roofing Service A/C)	2,127,734	2.338
Mr Mathew Simon Anthony Kelly	2,050,000	2.253
RHC Superfund Pty Ltd (RHC Superannuation Fund A/C)	1,553,575	1.707
Mr Robert William Highman & Mrs Patricia Anne Lloyd (Highman Family S/F A/C)	1,392,222	1.530
Mr Gary Brian Stone & Mrs Janis Ann Stone	1,120,000	1.231
Sonhill Investments Pty Ltd (The Sonhill Family A/C)	1,000,003	1.099
Deanmount Pty Ltd (J R Jackson S/F A/C)	1,000,000	1.099
ABN Amro Clearing Sydney Nominees Pty Ltd (Custodian A/C)	899,025	0.988
Mr Phillip Reginald Campling & Mrs Sandra Kaye Morton	845,000	0.928
Ozzybear Pty Ltd (Howlett Super Fund A/C)	830,000	0.912
Mr Philip Bickley Callard	795,684	0.874
Sudden Impact Realty Pty Ltd (The Parcels A/C)	750,000	0.824
Duck Holdings Pty Ltd (duck Account)	742,668	0.816
Mrs Patricia Mary Boero	725,829	0.798
FNQ Contracting Service Pty Ltd	666,668	0.733
En Globo Pty Ltd (En Globo A/C)	637,492	0.700
<b>Totals for Top 20</b>	<b>54,727,632</b>	<b>60.135</b>
<b>TOTAL SHARES</b>	<b>91,007,472</b>	

## **DIRECTORS' REPORT**

Your directors present their report on the company for the financial year ended 30 June 2014.

### **Directors**

The names of directors in office at any time during or since the end of the year are:

Donald J Channer  
Christopher J Bishop  
Robert Krakowiak  
Patricia M Boero (Alternate for Mr D J Channer)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### **Company Secretary**

Mrs Patricia Boero has held the position of company secretary for the period since the start of the financial year.

### **Principal Activities**

The principal activities of the company during the year have been the continuing liaison with Shanghai Sol-Millennium Medical Products Co., Ltd regarding the manufacturing and marketing of Medigard's Blood Collection Device, and review of other medical devices.

### **Operating Results**

The operating loss of the company after providing for income tax is \$326,743. (2013: \$322,223 loss)

### **Dividends Paid or Recommended**

No dividends were paid or declared for payment during the financial year and up until the date of this report.

## **REVIEW OF OPERATIONS**

### **Research and Development**

Research and development during this year has been predominantly in respect of the Blood Collection Device – further consideration and testing of alternative materials to try and eliminate the necessity for vacuum packaging of the device.

### **Financial Position**

The net assets of the company have decreased from \$228,805 at 30 June 2013 to (\$97,938) at 30 June 2014. This decrease has resulted from the loss incurred during the financial year.

## **Future Developments, Prospects and Business Strategies**

Despite a delay in the commercialization of the Blood Collection Device and subsequently the Blood Flash Needle, the Company is committed together with Shanghai Sol-Millennium Medical Products Co., Ltd to the commercialisation of both products.

The research and development over the last year has resulted in the Blood Collection Device being commercialised without requiring packaging. This knowledge is directly relevant to and will be utilised for the commercialisation of other Medigard patented devices and design plans.

## **Significant Changes in State of Affairs**

There are no significant changes in state of affairs.

## **After Balance Date Events**

On 31<sup>st</sup> July 2014, the Company secured financing of \$300,000 in debt funding via a Convertible Note Deed with its strategic partner Shanghai Sol-Millennium Medical Products Co., Ltd. The Convertible Notes are to be drawn periodically between 31 July 2014 and 23 February 2015 and have a maturity date of 36 months from date of drawdown.

## **Environmental Issues**

All products have as their core philosophy 'the protection of the community', to the extent that the medical and social environments are rendered safer as a consequence of the subject medical instruments. This tenet extends to all pursuits of the company.

There is no specific environmental regulation under a law of the Commonwealth or of a State or Territory that applies to the Company.

## **Information on Directors**

<b>DJ CHANNER</b>	Chairman Non-executive
Qualifications	Bachelor of Engineering (University of Queensland)
Experience	Appointed Chairman at incorporation. He has been involved in many private companies as both director and chairman.
Interest in Shares and Options	27,117,692 ordinary shares in Medigard Limited and 4,556,004 shares held by an associated entity Sun Sea Pty Ltd as trustee for the Sun Sea Investment Trust. No options are held.
Special Responsibilities	Member of the Nomination and Remuneration Committee Member of the Finance Committee
Other Directorships	No directorships of other listed entities within last three years

<b>C J BISHOP</b>	Non-executive Director
Qualifications	Bachelor of Science (University of Auckland) Doctor of Philosophy (University of Queensland)
Experience	Significant experience in the development and manufacture of sophisticated electronic products including medical instruments.
Interest in Shares and Options	283,334 ordinary shares in Medigard Limited. No options are held.
Special Responsibilities	Chairman of the Audit and Risk Committee Chairman of the Nomination and Remuneration Committee Chairman of the Finance Committee
Other Directorships	No directorships of other listed entities within last three years
 <b>R S KRAKOWIAK</b>	 Non-executive Director
Qualifications	No tertiary qualifications
Experience	More than 35 years sales and marketing and business management experience to GM & CEO level including 30 years in the healthcare products & services industry.
Interest in Shares and Options	No shares or options are held.
Special Responsibilities	Member of the Nomination and Remuneration Committee Member of the Nomination and Remuneration Committee
Other Directorships	No directorships of other listed entities within last three years
 <b>P M BOERO</b>	 Alternate director for D J Channer (Non-executive), Company Secretary
Qualifications	Bachelor of Business (University of Central Queensland) FCA (Australia)
Experience	Over 30 years experience in accounting and financial services across a broad range of industries.
Interest in Shares and Options	725,829 ordinary shares in Medigard Limited and 50,000 shares held by an associated entity The Boero Family Trust. No options are held.
Special Responsibilities	Member of the Audit and Risk Committee
Other Directorships	No directorships of other listed entities within last three years

## REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for the key management personnel of Medigard during the financial year. The key management personnel consists of the directors only.

### Remuneration Policy

The remuneration policy of Medigard Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long term incentives. The board of Medigard Limited believes the remuneration to be appropriate for the current stage of the company's development.

The directors are entitled to receive a superannuation guarantee contribution required by the government, which is currently 9.25%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are to be valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

Given the limited cash reserves of the company, the Directors have not drawn fees for the period from March 2012 to the date of this report.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The maximum aggregate amount of fees that can be paid to directors is subject to approval by shareholders at the Annual General Meeting.

The remuneration policy is designed to recognise effort of directors, key personnel and consultants. It is not linked directly to the current financial performance of the company. No remuneration for current or prior year is performance based.

### Company Performance

	2010	2011	2012	2013	2014
Revenue	\$30,180	\$31,124	\$22,469	\$6,645	\$1,094
Net profit/(loss)	(\$400,158)	(\$638,390)	(\$331,276)	(\$322,223)	(\$326,743)
Change in share price at year end	4c	(9.7c)	(1.3c)	1.5c	(.03c)
Dividends paid per share	-	-	-	-	-

## Details of remuneration for year ended 30 June 2014

The remuneration for the key management personnel of the company was as follows –

### 2014

	Short Term Benefits	Post Employ- ment Benefits	Share Based Payment	Total	% share based payments
Director	Cash Salary	Super- annuation	Equity Settled		
	\$	\$	\$	\$	
D J Channer	-	-	-	-	-
C J Bishop	-	-	-	-	-
R Krakowiak	-	-	-	-	-
P M Boero	23,400	-	-	23,400	-
	23,400	-	-	23,400	-

The Cash Salary is less than the amounts specified in service agreements as Mr Channer, Mr Krakowiak and Dr Bishop have not drawn fees for the period since March 2012 and Mrs Boero has drawn reduced fees. No further amounts have been accrued.

### 2013

D J Channer	-	-	-	-	-
C J Bishop	-	-	-	-	-
R Krakowiak	-	-	-	-	-
P M Boero	24,050	-	-	24,050	-
	24,050	-	-	24,050	-

### Other Key Management Personnel

There were no other Key Management Personnel.

No remuneration for current or previous year is performance related.

## Service Agreements

Service agreements entered into with key management personnel do not provide for pre-determined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy outlined above. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as considered appropriate by the Nomination and Remuneration Committee.

It is the Company's policy that service contracts for key management personnel are unlimited in term but capable of termination on one month's notice. The Company retains the right to terminate the contract immediately by making payment equal to one month's pay in lieu of notice.

### D J Channer

Contract term	Ongoing
Base salary	\$44,000 plus superannuation – to be reviewed annually by the Nomination and Remuneration Committee
Termination payment	Payment on early termination is equal to one month's salary

### C J Bishop

Contract term	Ongoing
Base salary	\$25,000 plus superannuation – to be reviewed annually by the Nomination and Remuneration Committee
Termination payment	Payment on early termination is equal to one month's salary

### R S Krakowiak

Contract term	Ongoing
Base salary	\$25,000 plus superannuation – to be reviewed annually by the Nomination and Remuneration Committee
Termination payment	Payment on early termination is equal to one month's salary

### P M Boero

Contract term	Ongoing
Base salary	\$62,400 – to be reviewed annually by the Nomination and Remuneration Committee
Termination payment	Payment on early termination is equal to one month's salary



## Additional disclosures relating to Key Management Personnel

### Shareholding

	Balance 1.7.2013	Granted as Compensation	Options Exercised	Net Change Other	Balance 30.06.2014
Mr D J Channer	31,683,696	-	-	-	31,683,696
Dr C J Bishop	283,334	-	-	-	283,334
Mrs P M Boero	775,829	-	-	-	775,829
Mr R Krakowiak	-	-	-	-	-
	<b>32,742,859</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,742,859</b>

### Option Holding

There were no options over ordinary shares in the company held during the financial year.

### Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those otherwise available to other parties unless stated.

All fees payable to key management personnel for services rendered have been disclosed in the Remuneration Report included in the Directors' Report.

Transactions with related parties	2014	2013
	\$	\$

#### Director related entities

Office rental payable to Channer Hook Unit Trust of which Donald Channer is a trustee	1,787	-
Interest bearing loan from Vestcare Pty Ltd of which Donald Channer is a director	100,000	-
Accrued interest payable to Vestcare Pty Ltd	1,536	-

#### Director

Interest bearing loan from Donald Channer	100,000	-
Accrued interest payable to Donald Channer	4,464	-

The interest charged on both loans is 7.5%. There is no repayment date on the loans.

**This is the end of the remuneration report which has been audited.**

## Meetings of Directors

During the financial year, two meetings of directors were held. One committee meeting was held during that time. Attendances by each director during the year were:

Directors	Director's Meetings		Committee Meetings					
			Audit & Risk		Finance		Nomination & Remuneration	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
D J Channer	2	1	0	0	0	0	0	0
C J Bishop	2	2	1	1	0	0	0	0
R S Krakowiak	2	2	1	1	0	0	0	0
P M Boero	1	1	1	1	0	0	0	0

## Indemnity and insurance of officers

During or since the end of the financial year the company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The company has paid premiums to insure each of the following directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company:

Donald J Channer  
Christopher J Bishop  
Robert S Krakowiak  
Patricia M Boero

The total premium paid was \$9,500 (2013: \$10,022).

The company has not indemnified nor insured the auditors.

## Options

As at the date of this report there are no options over ordinary shares or interests of Medigard Limited outstanding.

No options were granted during or since the end of the financial year.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

There were no shares issued as a result of the exercise of an option over unissued shares or interests during the year.

### **Proceedings on Behalf of Company**

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

### **Non-audit Services**

No fees were paid to the external auditors for non-audit services during the year ended 30 June 2014.

### **Auditor's Independence Declaration**

The auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on the following page 27.

A handwritten signature in black ink, appearing to read 'Donald Channer', with a stylized flourish at the end.

Signed in accordance with a resolution of the Board of Directors

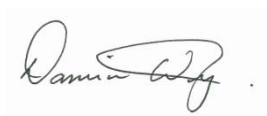
Director            Donald Channer

Date                29 September 2014

## DECLARATION OF INDEPENDENCE BY DAMIAN WRIGHT TO THE DIRECTORS OF MEDIGARD LIMITED

As lead auditor of Medigard Limited for the period ended 30 June 2014, I declare that, to the best of my knowledge and belief there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.



**D P WRIGHT**

Director

**BDO Audit Pty Ltd**

Brisbane, 29 September 2014

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE  
INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2014**

		2014	2013
		\$	\$
Revenue	2	1,094	6,645
Other income		-	-
Depreciation and amortisation expense	3	(26,702)	(37,973)
Finance costs	3	(6,000)	-
Employee benefits	3	(23,400)	(24,050)
Other expenses	3	(271,735)	(266,845)
Loss before income tax expense		(326,743)	(322,223)
Income tax expense	4	-	-
Net Loss for the year after income tax expense		(326,743)	(322,223)
Other Comprehensive Income, net of tax		-	-
Total Comprehensive Income		(326,743)	(322,223)
Basic & diluted earnings per share (cents per share)	7	(0.4)	(0.3)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the financial statements.

**MEDIGARD LIMITED**  
**ABN 49 090 003 044**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2014**

		2014	2013
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	8	15,885	94,915
Trade and other receivables	9	5,600	6,321
Other current assets	10	3,480	7,431
TOTAL CURRENT ASSETS		24,965	108,667
NON-CURRENT ASSETS			
Property, plant and equipment	11	10,663	17,467
Intangible assets	12	92,461	115,453
Other non-current assets	13	10,560	10,560
TOTAL NON-CURRENT ASSETS		113,654	143,480
TOTAL ASSETS		138,619	252,147
CURRENT LIABILITIES			
Trade and other payables	14	30,557	23,342
Financial liabilities	15	206,000	-
TOTAL CURRENT LIABILITIES		236,557	23,342
TOTAL LIABILITIES		236,557	23,342
NET ASSETS		(97,938)	228,805
EQUITY			
Issued capital	16	4,953,560	4,953,560
Accumulated losses		(5,051,498)	(4,724,755)
TOTAL EQUITY		(97,938)	228,805

The above Statement of Financial Position should be read in conjunction with the Notes to the financial statements.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDING 30 JUNE 2014**

		2014	2013
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(291,119)	(231,807)
GST refunded		17,602	20,273
Interest received		1,094	6,645
Net cash used in operating activities	21a	(272,423)	(204,889)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(6,607)	-
Purchase of intangible assets		-	(19,571)
Net cash provided by (used in) investing activities		(6,607)	(19,571)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds of borrowings		200,000	-
		200,000	-
Net increase/(decrease) in cash held		(79,030)	(224,460)
Cash at 1 July 2013		94,915	319,375
Cash at 30 June 2014	8	15,885	94,915

The above Statement of Cash Flows should be read in conjunction with the Notes to the financial statements.

**MEDIGARD LIMITED**  
**ABN 49 090 003 044**

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2014**

	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Total Equity
	\$	\$	\$	\$
As at July 2012	4,953,560	(4,863,762)	461,230	551,028
Loss for the Year	-	(322,223)	-	(322,223)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	(322,223)	-	(322,223)
Transactions with owners in their capacity as owners	-	-	-	-
Issue of Shares	-	-	-	-
Cost of Share Issue	-	-	-	-
Transfer to/from Reserve	-	461,230	(461,230)	-
At 30 June 2013	<b>4,953,560</b>	<b>(4,724,755)</b>	<b>-</b>	<b>228,805</b>
Loss for the Year	-	(326,743)	-	(326,743)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	(326,743)	-	(326,743)
Transactions with owners in their capacity as owners	-	-	-	-
Issue of Shares	-	-	-	-
Cost of Share Issue	-	-	-	-
Transfer to/from Reserve	-	-	-	-
At 30 June 2014	<b>4,953,560</b>	<b>(5,051,498)</b>	<b>-</b>	<b>(97,938)</b>

The above Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements cover Medigard Limited as an individual company. Medigard Limited is a listed public company, incorporated and domiciled in Australia. The financial statements were authorised for issue in accordance with a resolution of the directors on 29 September 2014.

Medigard Limited is a for-profit entity for the purpose of preparing these financial statements.

The financial statements are presented in the Australian currency.

**Basis of Preparation**

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements also comply with all International Financial Reporting Standards (IFRS) in their entirety.

The financial statements have been prepared on an accruals basis and are based on historical costs.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

**Going Concern**

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The budget approved by the Directors ensures that the company has sufficient funds for administration expenses, patent costs and necessary product development for the next 12 months.

The ability of the company to continue to adopt the going concern assumption will depend upon the success of Medigard's alliance with Shanghai Sol-Millennium Medical Products Co., Ltd, the commercialisation of Medigard's other products and the continuing support of the director's loan. The ability of the company to continue to adopt the going concern assumption is also dependant on the company being able to raise capital as and when required.

In the absence of these matters being successful, there exists a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and therefore, it may be unable to realise its assets and discharge its liabilities in the ordinary course of business.

## **Accounting Policies**

### **a Income Tax**

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

### **b Plant and Equipment**

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment.

The assets' residual value and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

#### **Depreciation**

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Plant and equipment	20% - 40%
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### **c Financial Instruments**

#### **Recognition**

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

#### **Loans and receivables**

Loans and receivables are non-derivative financial instruments. Subsequent to initial recognition, they are recognised at amortised cost using the effective interest method less any impairment losses.

#### **Financial liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

#### **d Fair Value**

Fair value is determined based on current bid prices for all quoted investments and pricing models for unlisted instruments. Valuation techniques are applied to determine the fair value for all unlisted instruments, including recent arm's length transactions, reference to similar instruments and option pricing models.

#### **e Intangibles**

##### **Patents and Trademarks**

Patents and trademarks are recognised in the accounts at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised on a straight line basis over the term of the patent or trademark being ten years.

##### **Research and Development Expenditure**

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

#### **f Equity-settled Compensation**

The company operates a share-based compensation plan for Key Management personnel. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares or the options granted.

#### **g Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

**h Revenue**

Interest revenue is recognised using the effective interest rate method.

All revenue is stated net of the amount of goods and services tax (GST).

**i Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the period of the lease.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the term.

**j Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**k Comparative Figures**

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

**l Impairment of Assets**

At the end of each reporting period the Company assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

**m Earnings Per Share**

Earnings per share is calculated by dividing the profit (loss) attributable to members of Medigard Ltd by the weighted average number of ordinary shares outstanding during the financial year.

**n Trade and Other Payables**

Trade and other payables represent liabilities for goods and services provided to the Company prior to the year end and which are unpaid. These amounts are unsecured and have seven to 30 day payment terms.

**o New and amended standards and interpretations**

The Company has adopted all of the new, revised or amended accounting standards and interpretations that are mandatory for this financial year.

The adoption of these standards and interpretations did not have any material impact on the current or any prior period and is not likely to materially affect future periods.

**p New and amended standards and interpretations not yet adopted**

A number of new standards, amendments and interpretations are effective for annual periods beginning after 1 July 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements.

**MEDIGARD LIMITED**  
**ABN 49 090 003 044**

	2014 \$	2013 \$
<b>NOTE 2 REVENUE AND OTHER INCOME</b>		
Revenue		
- Interest received – cash at bank	1,094	6,645
	<b>1,094</b>	<b>6,645</b>
<b>NOTE 3 LOSS FOR THE YEAR</b>		
<b>Expenses</b>		
Depreciation of non-current assets		
- Plant and equipment	3,710	5,125
Total depreciation	3,710	5,125
Amortisation of non-current assets		
- Patents and trademarks	22,992	32,848
Total amortisation	22,992	32,848
Total depreciation and amortisation	<b>26,702</b>	<b>37,973</b>
Finance costs – interest on loan	6,000	-
Employee benefits	<b>23,400</b>	<b>24,050</b>
Rental expense – minimum lease payments	32,055	35,867
Research and development costs	7,380	31,499
Consulting fees	-	1,400
Fees & permits	32,274	30,623
Audit fees	27,284	28,077
Patent applications and maintenance	101,127	46,039
Write off patents	-	57,571
Other expenses	71,615	35,769
	<b>271,735</b>	<b>266,845</b>

	2014 \$	2013 \$
<b>NOTE 4 INCOME TAX</b>		
The prima facie tax on loss before income is reconciled to the income tax as follows:		
Prima facie tax benefit on loss before income tax at 30% (2013: 30%)	98,023	96,667
Tax effect of non-deductible items	(86)	748
Income tax credit attributable to company	97,937	97,415
Tax losses not recognised as asset	(97,937)	(97,415)
Income Tax Expense	-	-
<b>Unrecognised deferred tax assets</b>		
Unrecognised tax losses and temporary differences	3,283,565	2,958,236
Deferred tax assets not taken up at 30% (2013:30%)	985,069	887,471

There are no franking credits available

**NOTE 5 KEY MANAGEMENT PERSONNEL**

**Compensation**

Short term employee benefits	23,400	24,050
Post-employment benefits	-	-
	<b>23,400</b>	<b>24,050</b>

**NOTE 6 AUDITOR'S REMUNERATION**

Remuneration of the auditor of the company for:

- Auditing or reviewing the financial statements	27,284	28,078
- Other services	-	-
	<b>27,284</b>	<b>28,078</b>

**MEDIGARD LIMITED**  
**ABN 49 090 003 044**

	2014	2013
	\$	\$
<b>NOTE 7 EARNINGS PER SHARE</b>		
<b>a. Reconciliation of Earnings to Net Loss</b>		
Net Loss	(326,743)	(322,223)
Earnings used in the calculation of basic and diluted EPS	(326,743)	(322,223)
<b>b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted EPS</b>	91,007,472	91,007,472

Options could potentially dilute basic earnings per share in the future but were not included in diluted earnings per share as they were antidilutive for the year.

**NOTE 8 CASH AND CASH EQUIVALENTS**

Cash at bank	15,885	94,915
	15,885	94,915

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position

Cash	657	80,214
Term Deposit	15,228	14,701
Total Cash	15,885	94,915

The effective interest rate on short-term bank deposits was 2.0% (2013: 2.5%).

**NOTE 9 RECEIVABLES**

**CURRENT**

Short Term Deposits	200	3,357
Other Debtors	5,400	2,964
	5,600	6,321

No receivables are past due or impaired at year end. All receivables are with long standing customers who have a good credit history with the entity.



**MEDIGARD LIMITED**  
**ABN 49 090 003 044**

	2014	2013
	\$	\$
<b>NOTE 10 OTHER CURRENT ASSETS</b>		
Prepayments	3,480	7,431
	<b>3,480</b>	<b>7,431</b>
<b>NOTE 11 PROPERTY PLANT AND EQUIPMENT</b>		
Plant and Equipment – at cost	68,184	82,026
Accumulated depreciation	(57,551)	(64,559)
Carrying amount	10,633	17,467
Balance at beginning of the year	17,467	22,592
Additions – at cost	6,607	-
Disposal	(9,731)	-
Depreciation	(3,710)	(5,125)
Carrying amount at the end of the year	<b>10,633</b>	<b>17,467</b>
<b>NOTE 12 INTANGIBLE ASSETS</b>		
Patents, and trademarks – at cost	319,453	319,453
Accumulated amortisation	(226,992)	(204,000)
	92,461	115,453
Balance at beginning of year	115,453	186,301
Additions – at cost	-	19,571
Amortisation	(22,992)	(32,848)
Write-off	-	(57,571)
Carrying amount at the end of the year	<b>92,461</b>	<b>115,453</b>
<b>NOTE 13 OTHER NON-CURRENT ASSETS</b>		
Capitalised Development Expenditure – at cost	10,560	10,560
Accumulated Amortisation	-	-
	<b>10,560</b>	<b>10,560</b>

**MEDIGARD LIMITED**  
**ABN 49 090 003 044**

	2014	2013
	\$	\$
<b>NOTE 14 TRADE AND OTHER PAYABLES</b>		
<b>CURRENT</b>		
Unsecured Liabilities		
Trade Creditors	12,557	5,629
Sundry Creditors and Accrued Expenses	18,000	17,713
	<b>30,557</b>	<b>23,342</b>

**NOTE 15 FINANCIAL LIABILITIES**

Loans provided by a director and an associated entity of the director

206,000	-
<b>206,000</b>	<b>-</b>

Refer also to Note 23 for related party transactions

**NOTE 16 ISSUED CAPITAL**

**a. Shares**

91,007,472 (2013: 91,007,472) fully paid ordinary shares

4,953,560	4,953,560
<b>4,953,560</b>	<b>4,953,560</b>

	2014 Number	2013 Number
At the beginning of the reporting period	91,007,472	91,007,472
Ordinary shares issued during the year	-	-
Options exercised	-	-
At reporting date	<b>91,007,472</b>	<b>91,007,472</b>

	2014 \$	2013 \$
At the beginning of the reporting period	4,953,560	4,953,560
Ordinary shares issued during the year	-	-
Options exercised	-	-
At reporting date	<b>4,953,560</b>	<b>4,953,560</b>

All shares shall entitle the holder of those shares to receive dividends and confer upon the holder the right to vote at any general meeting of the Company.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

**b. Options**

As at 30 June 2014 there were no unissued ordinary shares of Medigard Limited under options (2013: no unissued ordinary shares under options).

**c. Capital Risk Management**

The company manages its capital to ensure that the company will be able to continue as a going concern and meet performance milestones set in the budget.

The company's overall strategy remains unchanged from previous years - to operate as a research and development company seeking alliances for commercialisation of its products.

The capital structure of the company consists of the funds raised from share issues, reserves less accumulated losses to date as disclosed in the statement of financial position.

The company is not subject to externally imposed capital requirements.

**NOTE 17 RESERVES**

**Share Based Payment Reserve**

The share based payment reserve is used to recognise the fair value of options issued to directors and employees. All options have been valued using the Black-Scholes option pricing model.

This reserve can be reclassified as retained earnings if options lapse.

	2014	2013
	\$	\$

**NOTE 18 CAPITAL AND LEASING COMMITMENTS**

**Operating Lease Commitments**

Non-cancellable operating leases contracted for but not capitalised in the financial statements

**Payable**

- Not later than 1 year	-	15,050
- Later than 1 year but not later than 5 years	-	-
- Later than 5 years	-	-
	-	15,050

The property lease is month to month with rent payable monthly in advance.

**NOTE 19 CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

**Contingent Liabilities**

The company has no known contingent liabilities.

**Contingent Assets**

The company has no known contingent assets.

**NOTE 20 SEGMENT REPORTING**

The company's sole operations are the development of innovative medical instruments wholly within Australia. Reports reviewed by the executive management committee (the chief operating decision maker) do not differ from that of the company as a whole. As such the entity has aggregated all operating segments into the one reportable segment being research and development.

	2014	2013
	\$	\$
<b>NOTE 21 CASH FLOW INFORMATION</b>		
<b>a. Reconciliation of Cash Flow from Operations with Loss after Income Tax</b>		
Loss after income tax	(326,743)	(322,223)
Non-cash flows in loss		
Amortisation	22,992	32,848
Depreciation	3,710	5,125
Interest accrued	6,000	-
Write-off patents	-	57,571
Loss on scrapping of plant & equipment	9,731	-
Changes in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(2,436)	1,353
(Increase)/decrease in prepayments	3,951	22,232
(Increase)/decrease in rental bond	3,157	-
Increase/(decrease) in trade creditors and accruals	7,215	(1,795)
Cash flows from operations	<b>(272,423)</b>	<b>(204,889)</b>

**b. Non-cash Financing and Investing Activities**

There were no non-cash financing or investing activities

**Note 22 Events After Balance Sheet Date**

On 31 July 2014, a Convertible Note Deed was signed with Shanghai Sol-Millennium Medical Products Co., Ltd. The Convertible Notes are for financing of \$300,000. The Notes have a maturity date 36 months from the date of drawdown and will accrue interest at 8%. The Notes are unsecured and redeemable two years after issue at the lower of \$0.05 and 30 day VWAP subject to a minimum price of \$0.025.

**Note 23 Related Party Transactions**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those otherwise available to other parties unless stated.

All fees payable to key management personnel for services rendered have been disclosed in the Remuneration Report included in the Directors' Report.

Transactions with related parties	2014	2013
	\$	\$
Director related entities		
Office rental payable to Channer Hook Unit Trust of which Donald Channer is a trustee	1,787	-
Interest bearing loan from Vestcare Pty Ltd of which Donald Channer is a director	100,000	-
Accrued interest payable to Vestcare Pty Ltd	1,536	-
Director		
Interest bearing loan from Donald Channer	100,000	-
Accrued interest payable to Donald Channer	4,464	-

The interest charged on both loans is 7.5%. There is no repayment date on the loans. The director has indicated he does not expect repayment within the next 12 months.

## **Note 24 Financial Risk Management**

The company's financial instruments include deposits with banks, and trade and other receivables and payables.

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk (interest rate risk).

### **Credit Risk**

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations to the company.

Credit risk arises principally from cash investments and receivables.

The objective of the company is to minimise risk of loss from credit risk exposure.

The entity has established a number of policies and processes to manage credit risk.

In respect of receivables, these include review of aging and follow up procedures.

The company's investment policy states that (1) only investment grade securities will form part of the portfolio (2) the lowest credit rating which can be purchased is BBB and (3) the portfolio will have an average investment grade of A. This policy has been set to limit the company's credit risk and maximise returns on investments.

All cash is held with the Commonwealth Bank of Australia.

The entity's maximum exposure to credit risk, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset at reporting date is the carrying amount of those assets as indicated in the Statement of Financial Position.

In relation to 'Other Receivables', credit risk is measured by an assessment of the recoverability of the individual debtor.

### **Liquidity Risk**

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due.

The objective of managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions.

The company has established a number of processes for managing liquidity risk. These include:

- Regularly monitoring the actual cash flows and longer term forecasted cash flows (against the cash flow budget)
- Monitoring financial assets held for liquidity.

### **Maturity Analysis**

Contractual cashflows from trade and other payables approximate their carrying amount. Trade and other payables are contractually due within 6 months of the end of the reporting period.

### **Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the entity's income or the value of its holdings of financial instruments.

### **Interest Rate Risk**

The entity is not exposed to market risks other than interest rate risk.

The company's interest rate risk primarily relates to deposits held at banks. Refer Note 8.

The objective of interest rate risk management is to manage and control interest rate risk exposures within acceptable parameters while optimising the return.

The entity has established a number of policies and processes for managing interest risk rate. These include monitoring interest rate risk exposure continuously.

### **Sensitivity Analysis**

A change of 100 basis points (1%) in interest rates at reporting date would have increased /decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the prior year.

	<b>Profit or Loss</b>		<b>Equity</b>	
	<b>+1%</b>	<b>-1%</b>	<b>+1%</b>	<b>-1%</b>
30 June 2014	547	-547	547	-547
30 June 2013	2,718	-2,718	2,718	-2,718

### **Fair Values**

The carrying value of assets and liabilities as disclosed in the Statement of Financial Position approximate their fair value.

### **Note 25 Company Details**

The registered office of the company is:  
MEDIGARD LIMITED  
SUITE 14  
30 TEDDER AVENUE  
MAIN BEACH QLD 4217

The principal place of business is:  
MEDIGARD LIMITED  
SUITE 14  
30 TEDDER AVENUE  
MAIN BEACH QLD 4217

## **DIRECTOR'S DECLARATION**

The directors of the company declare that:

1. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
  - a. Comply with Accounting Standards and the Corporations Regulations 2001; and
  - b. Give a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date.
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. 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.
4. The remuneration disclosures included in pages 21 to 24 of the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2014, comply with section 300A of the Corporations Act 2001.
5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

Signed in accordance with a resolution of the Board of Directors:



Director            Donald Channer

Date                29 September 2014



## INDEPENDENT AUDITOR'S REPORT

To the members of Medigard Ltd

### Report on the Financial Report

We have audited the accompanying financial report of Medigard Ltd, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Medigard Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

## Opinion

In our opinion:

- (a) the financial report of Medigard Ltd is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

## Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial report which indicates that the ability of the company to continue as a going concern is dependent on the commercialisation of the company's medical products. In addition to this the company is dependent on the successful raising in the future of any necessary funding through debt or equity. These conditions along with the other matters set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

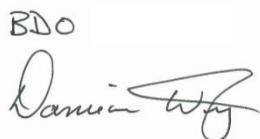
## Report on the Remuneration Report

We have audited the Remuneration Report in pages 6 to 9 of the directors' report for the year ended 30 June 2014. 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.

## Opinion

In our opinion, the Remuneration Report of Medigard Ltd for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

## BDO Audit Pty Ltd

The image shows a handwritten signature in black ink. Above the signature, the letters 'BDO' are printed in a small, sans-serif font. The signature itself is a cursive script, appearing to read 'D P Wright'.

**D P Wright**  
Director

Brisbane, 29 September 2014

# Corporate Directory

## **Directors and Executive**

Donald Julian Channer – Non-Executive Director  
Dr Christopher Jan Bishop – Non-Executive Director  
Robert Stephen Krakowiak – Non-Executive Director  
Patricia Mary Boero – Alternate Director, Company Secretary & Chief Financial Officer

## **Administration**

Medigard Limited  
Suite 14, 30 Tedder Avenue,  
Main Beach, Qld 4217

## **Solicitors**

Hopgood Ganim Lawyers  
Level 8, Waterfront Place, 1 Eagle Street,  
Brisbane, Qld 4000

## **Independent Accountant and Auditor**

BDO Audit (Qld) Pty Ltd  
Level 18, 12 Creek Street,  
Brisbane Qld 4000

## **Share Registry**

Boardroom Pty Limited  
Level 7, 207 Kent Street,  
Sydney NSW 2000

## **Patent Attorney**

Cullen & Co  
Level 26, MLC Building, 239 George Street,  
Brisbane Qld 4000

## **Annual General Meeting**

The Annual General Meeting of Medigard Limited  
will be held on 27th day of November, 2014  
at Suite 14, 30 Tedder Avenue, Main Beach, commencing at 9.30am



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