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MED*i*GARD

Annual Report
2013

Contents

Chairman's Letter to Shareholders	3
Review of Operations	4
Corporate Information and Corporate Governance	8
Shareholder Information	16
Financial Statements	
Directors' Report	17
Declaration of Independence	25
Statement of Comprehensive Income	26
Statement of Financial Position	27
Statement of Cash Flows	28
Statement of Changes in Equity	29
Notes to Financial Statements	30
Directors' Declaration	45
Independent Auditor's Report	46
Corporate Directory	49

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

2013 certainly has not been unlucky for Medigard. Rather it has seen the first signs of fulfilling its promise and rewarding shareholders for their patience and courtesy to the Company – but it's still early days.

The core of our business was the patented technology and the business plan was to develop the concept to a "manufacture ready" range of products that would be adopted by an established manufacturing and distribution company under an alliance "partnership" so as to enjoy the rewards of sales over ensuing years.

This we believe we have achieved with our agreement with Sol Millennium Medical Products Co., Ltd. The precursor to ongoing product roll outs is our contract for the sales of our Blood Collection Device. This was brought forward ahead of our syringe and flash back needle due to the comparative ease of achieving regulatory approval. US FDA approval is notoriously laborious for 'foreigners'. The BCD is currently in production with some 2-3 million being produced in the first six months. While this proceeds Sol Millennium is gearing up facilities and automation plant capable of producing 60 million units per year. This will come on line in the second half of 2014.

Under our agreement we are looking to continue with other product development with the comfort of a close liaison with Sol Millennium. This is an enormous advantage both in costs to carry out R and D and in designing to fit a known manufacturing process, and a sales and distribution network. They are as excited as we are with the prospects.

As to 2013 financially – once again we have run on the proverbial 'smell of an oily rag'. This year however the 'oil' has just been enough to keep the wheels turning and the machinery in first class condition. 2014 sets a new challenge in providing the services that are promised in our current position.

The directors and staff both in their performance and prudence have served you beyond even the most astringent demands, and I thank them profusely, as I do you, our shareholders. We are on the brink of validation and success and are as usual working our hardest to deliver. We may need some help and will be in a better position to outline this to you as soon as the first returns on sales are in.

Yours faithfully,



Don Channer
Chairman

REVIEW OF OPERATIONS

Year in Review

The past year has been highlighted by the formalizing of our relationship with Sol-Millennium Medical Products Co., Ltd with the execution of a Manufacturing & Distribution License Agreement. Since the execution of this Agreement, the Medigard Safety Blood Collection Device (BCD) has been showcased at a number of large international healthcare exhibitions in the US, Brazil, Europe, Middle East and Asia with a high level of positive feedback from prospective end-users (healthcare clinicians) and distributors. Such has been the interest that Sol-Millennium has established a special production capability for the Medigard BCD at its recently established manufacturing facility in Suzhou, Jiangsu Province. During this period all our efforts having been focused on the BCD product enhancements and building capacity for the production of the BCD.



The Board accepted the resignation of director Dr Peter Clark and welcomed a new director Mr Robert Krakowiak, who has significant experience in the commercialisation of safety medical products.

During the last year, patents have been granted in both China and Japan for our 3ml syringe, China for our 1ml syringe and Canada for our Blood Collection Device. A summary of all patents is included in the following pages.



Financial Performance

This year again, the Company's operating costs have been minimised.

Our financial performance this year has seen a net loss of \$322,223 down \$9,053 on the loss of \$331,276 in the previous year. Our income for the past year includes interest earned on invested securities.

The Year Ahead

We expect 2013/14 will be a benchmark year for Medigard. Initial smaller scale manufacturing of the BCD is due to commence in October with first orders to be filled in November 2013. The manufacturing facility in Suzhou will be capable of producing between 300,000 and 500,000 units of

BCDs monthly during the first 6 months with production expanding to 5 million units per month by September 2014. The first income will be generated from the BCD during this year.

Once the manufacturing of the BCD is underway, focus will then be on the Blood Flash Needle. We anticipate trial manufacturing of the Blood Flash Needle to commence during the first quarter of 2014. We are then looking forward to progressing our other products currently being developed, and awaiting commercialisation.

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Patents

Family Group 3

Number	Country	Date Filed	Title	Status
2005207079	Australia	21/01/2005	Improvements to a Blood Collection Device	Granted 11/09/2008
7544169	United States	21/01/2005	Improvements to a Blood Collection Device	Granted 09/06/2009
4653118	Japan	21/01/2005	Improvements to a Blood Collection Device	Granted 24/12/2010
2552971	Canada	21/01/2005	Improvements to a Blood Collection Device	Granted 20/08/2013

Australian patent application No. 2004900310 entitled "Improvements to Blood Collection Device" with a Priority Date of 23rd 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 21st 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 21st July 2006 in the following countries:-

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

Family Group 9

Number	Country	Date Filed	Title	Status
2008/08532	South Africa	09/03/2007	A Needle Containing Medical Device with Variable Locking to Needle Holder	Granted 30/12/2009
8034024	United States	09/03/2007	A Needle Containing Medical Device with Variable Locking to Needle Holder	Granted 11/10/2011

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2007225005	Australia	09/03/2007	A Needle Containing Medical Device with Variable Locking to Needle Holder	Granted 08/12/2011
ZL201010598997.7	China	09/03/2007	A Needle Containing Medical Device with Variable Locking to Needle Holder	Granted 31/10/2012
5149817	Japan	09/03/07	A Needle Containing Medical Device with Variable Locking to Needle Holder	Granted 07/12/2012

Australian patent application No 2006901267 entitled "A Needle Containing Medical Device with Variable Locking to Needle Holder" with a Priority Date of 13th 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 9th 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 9th March 2007.

This device entered National Phase on 13th 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

Family Group 11

Number	Country	Date Filed	Title	Status
2011/01094	South Africa	17/07/2009	A Retractable Syringe (1ml)	Granted 25/04/2012
ZL200980133512.2	China	17/07/2009	A Retractable Syringe (1ml)	Granted 24/04/2013

Australian patent application No. 2008903652 entitled "A Retractable Syringe" with a priority Date of 17th 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 17th July 2009. A worldwide Patent Co-operation Treaty (PCT) application for "A Retractable Syringe" was lodged on 17th July 2009.

This device entered National Phase on 17th 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

Family Group 12

Australian patent application No. 2009905146 entitled "Blood Flash Needle" with a Priority Date of 22nd 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 11th October 2010. A worldwide Patent Co-operation Treaty (PCT) application for a "Blood Flash" was lodged on 11th October 2010.

This Device entered National Phase on 22nd 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

CORPORATE INFORMATION

Directors

Don Channer, Chairman

B.Eng (University of Queensland). Registered Professional Engineer.

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, the Board continues to take 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 were two meetings 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 two meetings of the Committee during the year attended by all members current at the time.

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.

Independent research is carried out on appropriate remuneration of both directors and executives including the element of remuneration attaching by way of performance. As was the case in previous years, 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.

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 is carried out at least annually and has 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 a 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 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, Mr Robert Krakowiak holds office until the forthcoming Annual General Meeting and he offers himself for re-election at that time. Full details of his candidacy and relationships are contained on page 8. Mr Robert Krakowiak is a Non Executive Director of Medigard and has been a director since 6 June 2013.

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 8. Dr Chris Bishop and Mr Robert Krakowiak are considered independent directors. Don Channer has held office as director since 1999 and Chris Bishop since 2008. 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 and 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 Dr Peter Clark until his resignation when he was replaced by Robert Krakowiak. Qualifications of the current members have been described on page 8. 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: Both non executive and executive directors receive 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 with Dr Chris Bishop awarded small parcel of 200,000 shares in return for services rendered by him. All members of management have, on one occasion, been granted options in lieu of salaries. Details of remuneration are contained on pages 20 to 23 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 676 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	59	204,034	0.224
5,001-10,000	137	1,240,612	1.363
10,001-100,000	351	13,295,036	14.609
100,001-99,999,999,999	111	76,263,212	83.799
Totals	676	91,007,472	100.000

Unmarketable Parcels

Based on the 15.10.13 closing price of .017c per share, an unmarketable parcel is one of 29,412 or fewer shares

Holding Ranges	Holders	Total Units	%
1-20,000	398	5,021,849	5.52

Twenty largest holders of Ordinary Shares

Holder Name	Balance as at 15-10-13	%
Donald Julian Channer	27,117,692	29.797
Dr Peter William Clark	4,809,157	5.284
Sun Sea Pty Ltd	4,566,004	5.017
Mr Richard Lutkajtis (Richards Roofing Service A/C)	2,127,734	2.338
Ganbaru Pty Ltd (The Parrish Super Fund A/C)	2,060,336	2.264
RHC Superfund Pty Ltd (RHC Superannuation Fund A/C)	1,980,492	2.176
Mr Mathew Simon Anthony Kelly	1,441,659	1.584
Mr Robert William Highman & Mrs Patricia Anne Lloyd (Highman Family S/F A/C)	1,137,222	1.250
Wendon Holdings Pty Limited (Wendon Family Property A/C)	1,000,003	1.099
Deanmont Pty Ltd (JR Jackson S/F A/C)	1,000,000	1.099
Mathew Parrish Pty Ltd (Parrish Family A/C)	963,336	1.059
ABN Amro Clearing Sydney Nominees Pty Ltd (Custodian A/C)	899,025	0.988
Sudden Impact Realty Pty Ltd (The Portfolio A/C)	875,380	0.962
Mr Phillip Reginald Campling & Ms 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)	770,000	0.846
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
Totals for Top 20	55,353,889	60.823
TOTAL SHARES	91,007,472	

Directors' Report

Your directors present their report on the company for the financial year ended 30 June 2013.

Directors

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

DONALD J CHANNER
PETER W CLARK (resigned 6 June 2013)
CHRISTOPHER JAN BISHOP
ROBERT KRAKOWIAK (appointed 6 June 2013)
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 formalisation of the Manufacturing and Distribution agreement with Shanghai Sol-Millennium Medical Products Co., Ltd and the continuing liaison with them regarding the manufacturing and marketing of Medigard's Blood Collection Device.

Operating Results

The operating loss of the company after providing for income tax is \$322,223. (2012: \$331,276 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 – consideration of alternative materials and packaging for the device.

Financial Position

The net assets of the company have decreased from \$551,028 at 30 June 2012 to \$278,697 at 30 June 2013. This decrease has resulted from the loss incurred during the financial year.

Future Developments, Prospects and Business Strategies

The Company is committed together with Shanghai Sol-Millennium Medical Products Co., Ltd to the commercialisation of the Blood Collection Device during the 2013/2014 financial year. It is expected the Blood Flash Needle will be commercialised during that period also.

The Company is also looking at future projects and the commercialization of its remaining products with Shanghai Sol-Millennium Medical Products Co., Ltd.

Significant Changes in State of Affairs

There are no significant changes in state of affairs.

After Balance Date Events

There are no significant after balance date events.

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

D J CHANNER	- 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 4,566,004 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.
P W CLARK	- Former non-executive Director (resigned 6 June 2013)
Qualifications	- Bachelor of Science (University of Queensland) - Doctor of Philosophy (Indiana University) - Master of Business Administration (University of Queensland)
Experience	- Board member since incorporation. Significant experience as Business Consultant specialising in innovation commercialisation, business planning, market research, analysis and reports
Interest in Shares and Options	Not applicable as no longer a director.
Special Responsibilities	- Former Chairman of the Nomination and Remuneration Committee - Former Chairman of the Audit and Risk Committee
Other Directorships	- No directorships of other listed entities within last three years.

C J BISHOP	- 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.
R S KRAKOWIAK	- Non-executive Director (appointed 6 June 2013)
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 Audit and Risk Committee
Other Directorships	- No directorships of other listed entities within last three years.
P M BOERO	- 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 receive a superannuation guarantee contribution required by the government, which is currently 9%, 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

	2009	2010	2011	2012	2013
Revenue	\$71,620	\$30,180	\$31,124	\$22,469	\$6,645
Net profit/(loss)	(\$761,323)	(\$400,158)	(\$638,390)	(\$331,276)	(\$322,223)
Change in share price at year end	3c	4c	(9.7c)	(1.3c)	1.5c
Dividends paid per share	-	-	-	-	-

Details of remuneration for year ended 30 June 2013.

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

2013

Director	Short Term Benefits Cash Salary	Post Employ- ment Benefits Super- annuation	Share Based Payment Equity Settled	Total	% share based payments
	\$	\$	\$	\$	
Mr D J Channer	-	-	-	-	-
Dr P W Clark	-	-	-	-	-
Dr C J Bishop	-	-	-	-	-
Mr R Krakowiak	-	-	-	-	-
Mrs P M Boero	24,050	-	-	24,050	-
	<u>24,050</u>	<u>-</u>	<u>-</u>	<u>24,050</u>	<u>-</u>

The Cash Salary is less than the amounts specified in service agreements as Mr Channer, Dr Clark, 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.

2012

Mr D J Channer	29,333	2,640	-	31,973	-
Dr P W Clark	-	18,167	-	18,167	-
Dr C J Bishop	16,669	1,500	-	18,169	-
Mrs P M Boero	36,400	-	-	36,400	-
	<u>82,402</u>	<u>22,307</u>	<u>-</u>	<u>104,709</u>	<u>-</u>

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.

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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

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

Meetings of Directors

During the financial year, four meetings of directors were held. Two committee meetings were 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						
D.J. CHANNER	4	4	0	0	0	0	0	0
P. W. CLARK	4	4	2	2	0	0	0	0
C J BISHOP	4	4	2	2	0	0	0	0
R S KRAKOWIAK	1	1	0	0	0	0	0	0
P.M. BOERO	0	0	2	2	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
Peter W Clark
Christopher J Bishop
Robert S Krakowiak
Patricia M Boero

The total premium paid was \$10,022 (2012: \$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 2013.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2013 has been received and can be found on the following page.



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

Director Christopher J Bishop

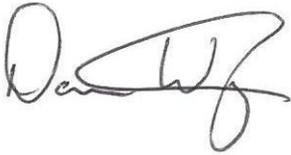
Date 24 September 2013

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DECLARATION OF INDEPENDENCE BY D P WRIGHT TO THE DIRECTORS OF MEDIGARD LIMITED

As lead auditor of Medigard Limited for the period ended 30 June 2013, 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, 23 September 2013

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MEDIGARD LIMITED
ABN 49 090 003 044

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

		2013	2012
		\$	\$
Revenue	2	6,645	22,469
Other income	2	-	32,071
Depreciation and amortisation expense	3	(37,973)	(47,372)
Finance costs		-	-
Employee benefits		(24,050)	(104,709)
Other expenses	3	(266,845)	(233,735)
Loss before income tax expense		(322,223)	(331,276)
Income tax expense	4	-	-
Net Loss for the year after income tax expense		(322,223)	(331,276)
Other Comprehensive Income, net of tax		-	-
Total Comprehensive Income		(322,223)	(331,276)
Basic & diluted earnings per share (cents per share)	7	(0.35)	(0.36)

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

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MEDIGARD LIMITED
ABN 49 090 003 044

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

		2013	2012
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	8	94,915	319,375
Trade and other receivables	9	6,321	7,674
Other current assets	10	7,431	29,663
TOTAL CURRENT ASSETS		108,667	356,712
NON-CURRENT ASSETS			
Property, plant and equipment	11	17,467	22,592
Intangible assets	12	115,453	186,301
Other non current assets	13	10,560	10,560
TOTAL NON-CURRENT ASSETS		143,480	219,453
TOTAL ASSETS		252,147	576,165
CURRENT LIABILITIES			
Trade and other payables	14	23,342	25,137
TOTAL CURRENT LIABILITIES		23,342	25,137
TOTAL LIABILITIES		23,342	25,137
NET ASSETS		228,805	551,028
EQUITY			
Issued capital	15	4,953,560	4,953,560
Reserves		-	461,230
Accumulated losses		(4,724,755)	(4,863,762)
TOTAL EQUITY		228,805	551,028

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

MEDIGARD LIMITED
ABN 49 090 003 044

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(231,807)	(410,091)
Research and development tax offset	-	93,232
GST refunded	20,273	24,538
Interest received	6,645	22,469
Interest paid	-	-
Net cash used in operating activities	20a (204,889)	(269,852)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	-
Purchase of intangible assets	(19,571)	(24,035)
Net cash provided by (used in) investing activities	(19,571)	(24,035)
Net increase/(decrease) in cash held	(224,460)	(293,887)
Cash at 1 July 2012	319,375	613,262
Cash at 30 June 2013	8 94,915	319,375

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 2013

	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Total Equity
	\$	\$	\$	\$
At 1 July 2011	4,953,560	(4,591,093)	519,837	882,304
Loss for the Year	-	(331,276)	-	(331,276)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	(331,276)	-	(331,276)
Transactions with owners in their capacity as owners				
Issue of Shares	-	-	-	-
Cost of Share Issue	-	-	-	-
Transfer to/from Reserve		58,607	(58,607)	
At 30 June 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	4,953,560	(4,724,755)	-	228,805

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 2013

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 23 September 2013.

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 and the commercialisation of Medigard's other products.

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.

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%
---------------------	-----------

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.

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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 (refer Note 25 for further details).

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.

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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

A number of amended standards and interpretations are mandatory for the first time for the financial year beginning 1 July 2011.

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.

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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 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements.

	2013	2012
	\$	\$
Note 2 Revenue and Other Income		
Revenue		
- Interest received – cash at bank	6,645	22,469
	6,645	22,469
Other Income		
- Research & development tax offset	-	32,071
	-	32,071
Note 3 Loss for the Year		
Expenses:		
Depreciation of non-current assets:		
- Plant and equipment	5,125	6,879
Total depreciation	5,125	6,879
Amortisation of non-current assets		
- Patents & trademarks	32,848	40,493
Total amortisation	32,848	40,493
Total depreciation and amortisation	37,973	47,372
Employee benefits	24,050	104,709
Rental expense – minimum lease payments	35,867	29,148
Research and development costs	31,499	56,219
Consulting fees	1,400	24,106
Fees & permits	30,623	38,002
Audit fees	28,077	23,844
Patent applications and maintenance	46,039	29,013
Write off patents	57,571	-
Other expenses	35,769	33,403
	266,845	233,735

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MEDIGARD LIMITED
ABN 49 090 003 044

	2013	2012
	\$	\$
Note 4 Income Tax		
The prima facie tax on loss before income tax is reconciled to the income tax as follows:		
Prima facie tax benefit on loss before income tax at 30% (2012: 30%)	96,667	99,383
Tax effect of non deductible items	748	9,621
Income tax credit attributable to company	97,415	109,004
Tax losses not recognized as asset	(97,415)	(109,004)
Income Tax Expense	-	-
Unrecognised deferred tax assets		
Unrecognised tax losses and temporary differences	2,958,236	2,637,768
Deferred tax assets not taken up at 30% (2012: 30%)	887,471	791,330

There are no franking credits available.

Note 5 Key Management Personnel

a. Compensation

Short term employee benefits	24,050	82,402
Post employment benefits	-	22,307
	24,050	104,709

b. Options Holdings

Number of Options Held by Key Management Personnel

	Balance 1.07.2012	Granted as Compen- sation	Options Exercised	Other Changes	Balance 30.06.2013	Total Vested and Exercisable 30.06.2013
Mr D J Channer	-	-	-	-	-	-
Dr P W Clark	-	-	-	-	-	-
Dr C J Bishop	-	-	-	-	-	-
Mrs P M Boero	1,500,000	-	-	(1,500,000)	-	-
	1,500,000	-	-	(1,500,000)	-	-

	Balance 1.07.2011	Granted as Compen- sation	Options Exercised	Other Changes	Balance 30.06.2012	Total Vested and Exercisable 30.06.2012
Mr D J Channer	-	-	-	-	-	-
Dr P W Clark	-	-	-	-	-	-
Dr C J Bishop	-	-	-	-	-	-

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MEDIGARD LIMITED
ABN 49 090 003 044

Mrs P M Boero	1,500,000	-	-	-	1,500,000	1,500,000
	1,500,000	-	-	-	1,500,000	1,500,000

All options issued to key personnel vested on grant date.

c. Shareholdings

Number of Shares Held by Key Management Personnel

	Balance 1.7.2012	Granted as Compen- sation	Options Exercised	Net Change Other	Balance 30.06.2013
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	-	-	-	-	-
Dr P W Clark *	7,310,346	-	-	(7,310,346)	-
	40,053,205	-	-	(7,310,346)	32,742,859

Net Change other represents disposals of 999,820 shares during the period and 6,310,526 shares held at resignation.

	Balance 1.7.2011	Granted as Compen- sation	Options Exercised	Net Change Other	Balance 30.06.2012
Mr D J Channer	31,683,696	-	-	-	31,683,696
Dr P W Clark	7,414,478	-	-	(104,132)	7,310,346
Dr C J Bishop	283,334	-	-	-	283,334
Mrs P M Boero	775,829	-	-	-	775,829
	40,157,337	-	-	(104,132)	40,053,205

Refer also to Note 24 for related party transactions.

	2013 \$	2012 \$
Note 6 Auditor's remuneration		
Remuneration of the auditor of the company for:		
- auditing or reviewing the financial statements	28,078	23,844
- other services	-	-
	28,078	23,844

Note 7 Earnings per Share

a. Reconciliation of Earnings to Net Loss		
Net Loss	(322,223)	(331,276)
Earnings used in the calculation of basic and diluted EPS	(322,223)	(331,276)
b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted EPS	91,007,472	91,007,472

MEDIGARD LIMITED
ABN 49 090 003 044

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.

2013
\$

2012
\$

Note 8 Cash and Cash Equivalents

Cash at bank	94,915	319,375
	94,915	319,375

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	80,214	305,355
Term Deposit	14,701	14,020
Total Cash	94,915	319,375

The effective interest rate on short-term bank deposits was 2.5% (2012: 3.5%).

Note 9 Receivables

CURRENT

Short Term Deposits	3,357	3,357
Other Debtors	2,964	4,317
	6,321	7,674

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.

Note 10 Other Current Assets

Prepayments	7,431	29,663
	7,431	29,663

Note 11 Property Plant and Equipment

Plant and Equipment – at cost	82,026	82,026
Accumulated depreciation	(64,559)	(59,434)
Carrying amount	17,467	22,592

Balance at beginning of the year	22,592	29,471
Additions – at cost	-	-
Disposal	-	-
Depreciation	(5,125)	(6,879)
Carrying amount at the end of the year	17,467	22,592

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MEDIGARD LIMITED
ABN 49 090 003 044

	2013 \$	2012 \$
Note 12 Intangible Assets		
Patents, and trademarks – at cost	319,453	461,979
Accumulated amortisation	(204,000)	(275,678)
	115,453	186,301
Balance at beginning of year	186,301	202,758
Additions – at cost	19,571	24,036
Amortisation	(32,848)	(40,493)
Write – off	(57,571)	-
Carrying amount at the end of the year	115,453	186,301
Note 13 Other Non-Current Assets		
Capitalised Development Expenditure – at cost	10,560	10,560
Accumulated Amortisation	-	-
	10,560	10,560
Note 14 Trade and Other Payables		
CURRENT		
Unsecured Liabilities		
Trade Creditors	5,629	9,931
Sundry Creditors and Accrued Expenses	17,713	15,206
	23,342	25,137
Note 15 Issued Capital		
a. 91,007,472 (2012: 91,007,472) fully paid ordinary shares	4,953,560	4,953,560
	4,953,560	4,953,560
	Number	Number
At the beginning of the reporting period	91,007,472	91,007,472
Ordinary shares issued during the year		
Renounceable Rights Issue		
Options exercised	-	-
At reporting date	91,007,472	91,007,472
At the beginning of the reporting period	4,953,560	4,953,560
Ordinary shares issued during the year	-	-
Options exercised	-	-
At reporting date	4,953,560	4,953,560

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 2013 there were no unissued ordinary shares of Medigard Limited under options.

As at 30 June 2012 the unissued ordinary shares of Medigard Limited under options were as follows:

Grant Date	Date of expiry	Exercise price	Number
17/08/2007	17/08/2012	\$0.20	6,750,000
			<u>6,750,000</u>

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 16 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.

Note 17 Capital and Leasing Commitments	2013	2012
	\$	\$
Operating Lease Commitments		
Non cancellable operating leases contracted for but not capitalised in the financial statements		
Payable		
- not later than 1 year	15,050	35,520
- later than 1 year but not later than 5 years	-	14,800
- later than 5 years	-	-
	<u>15,050</u>	<u>50,320</u>

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

Note 18 Contingent Liabilities and Contingent Assets

Contingent Liabilities

The company has no known contingent liabilities.

Contingent Assets

The company has no known contingent assets.

Note 19 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.

Note 20 Cash Flow Information	2013	2012
	\$	\$
a. Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax	(322,223)	(331,276)
Non-cash flows in loss		
Amortisation	32,848	40,493
Depreciation	5,125	6,879
Write off patents	57,571	-
Changes in operating assets and liabilities,		
(Increase)/decrease in trade and other receivables	1,353	58,584
(Increase)/decrease in prepayments	22,232	(18,520)
Increase/(decrease) in trade creditors and accruals	(1,795)	(26,012)
Cash flows from operations	<u>(204,889)</u>	<u>(269,852)</u>

b. Non-cash Financing and Investing Activities

There were no non-cash financing or investing activities.

Note 21 Events After Balance Sheet Date

There have been no significant events since balance sheet date.

Note 22 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.

There were no transactions with related parties.

Note 23 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.

	Profit or Loss		Equity	
	+1%	-1%	+1%	-1%
30 June 2013	2,718	-2,718	2,718	-2,718
30 June 2012	6,290	-6,290	6,290	-6,290

Fair Values

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

Note 24 Company Details

The registered office of the company is:

MEDIGARD LIMITED
LEVEL 5 HQ
58 RIVERWALK AVENUE
ROBINA QLD 4226

The principal place of business is:

MEDIGARD LIMITED
LEVEL 5 HQ
58 RIVERWALK AVENUE
ROBINA QLD 4226

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DIRECTORS' 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:
 - I. Comply with Accounting Standards and the Corporations Regulations 2001; and
 - II. Give a true and fair view of the company's financial position as at 30 June 2013 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 6 to 8 of the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2013, 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:



C J Bishop
Director

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 2013, 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 2013 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 8 of the directors' report for the year ended 30 June 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO



D P Wright

Director

Brisbane, 24 September 2013

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 52, Level 5 HQ
58 Riverwalk Avenue, Robina, Qld 4226

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, 300 Queen 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 20th day of November, 2013
at Southport Yacht Club, Main Beach, commencing at 9.30am

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