Appendix 4E

Preliminary Final Report

Name of entity:	Calzada Limited
ABN:	96 083 866 862
Reporting period:	30 June 2014
Previous corresponding period:	30 June 2013

Index

ABN 96 083 866 862

2/320 Lorimer Street, Port Melbourne VIC 3207

Tel: +61 3 8681 4050 Fax: +61 3 8681 4099

Results for the Year Ended 30 June 2014

Calzada Ltd today released its financial results for the year ended 30 June 2014. For the period the Group reported a net operating loss after tax of $2.941m an increase of 96% from the prior year loss of $1.497m.

The increase loss is predominantly attributable to the recognition in FY2013 of the Australian Government's research and development incentive for both FY2012 and FY2013, whereas 2014 result only has a single year's incentive as income.

The change from guidance is a result of the full expensing of Mr. David Williams options which were approved by shareholders on 1 July 2014. While Mr Williams did not have his options granted until they were approved by shareholders on 1 July 2014 accounting standards require the full expensing of these options in FY14. The expense reported in FY14 is consistent with the valuation disclosed in the Notice of Meeting and is a non-cash transaction.

PolyNovo

The Board announced the commitment to appoint a Managing Director and to increase the number of staff in PolyNovo in the commercial, clinical, regulatory, quality and manufacturing roles. These changes and additions will enhance the prospects of the PolyNovo business by improving speed to market.

Positive developments for the year and key upcoming events include:

- PolyNovo has received 510(k) clearance for NovoPore™ in the US and CE Mark in EU enabling PolyNovo to market NovoPore™ in these two large markets;

- The human trial in burns and the use of NovoSorb™ under the authorised prescriber scheme continue to provide further encouraging evidence of the benefits of the NovoSorb™ material in the treatment of 3rd degree burns and surgical wounds;

- The 510(k) submission for surgical wounds will be lodged in the coming weeks. Once approval is received from the FDA PolyNovo will have the ability to market NovoSorb™ in the USA for surgical wounds which is a significant step for the business;

- Negotiations continue with a specialist USA device company to enter into a Licence and Supply Agreement which will involve milestone payments and a share of royalties for the use of NovoSorb™ polymers in products for use in hernia repair;

- The Victorian Government is funding a feasibility study that may lead to a clinical trial at the highly regarded Burns Unit at The Alfred. Should PolyNovo progress to the second stage this trial will be used to assist in satisfying EU and Australian regulatory requirements for the use of NovoSorb in 3rd degree burns;

- Preliminary confidential discussions are occurring with a number of local and international parties about non-dilutive funding for trials and commercialisation opportunities: and

- The BARDA submission will be lodged this week. A successful BARDA submission will provide PolyNovo with funding for a US clinical trial for regulatory submission to the FDA for 3rd degree burns. As part of this process, PolyNovo will this week be lodging a pre-submission document with the FDA.

Metabolic

As announced on 30 July 2014 the Board is reviewing its future commitment to Metabolic and is considering the alternatives to best extract value from the AOD9604 peptide. These alternatives include licence, trade sale or as a separate listed entity.

During the year the Metabolic achieved the following:

- its peptide AOD9604 has received a full Generally Recognised As Safe ('GRAS') status in the USA. GRAS status allows AOD9604 to be sold as a component in conventional and functional foods, drinks and dietary supplements in the USA at the daily level of up to 1 mg per person. As such it is exempt from further pre-market approval requirements of food and drink ingredients: and

- Metabolic has entered into non-exclusive licenses with two Australian compounding pharmacies. These licences are solely for the use, manufacture and sale of AOD9604 in compounded medicine preparations that comply with Australian regulatory requirements. Revenue from these licenses is so far small, but assert the Company's propriety rights.

Further details in respect to the Company operations are provided in the attached Annual Report.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenues and results from Ordinary Activities:	**Change from 2013**	**%**		**2014 $**
Revenues from ordinary activities	down	4	to	268,793
Net loss for the period after tax	up	96	to	(2,941,975)
Loss from ordinary activities after tax attributable to members	up	97	to	(2,936,379)
Net loss for the period attributable to members	up	97	to	(2,936,379)

Dividends

No dividends have been paid or declared by the board since the beginning of the current reporting period.

No dividends were paid for the previous corresponding period.

Explanation on figures reported above

The Directors report that the loss for the period after tax was $2.941m compared with a loss of $1.497m in the prior corresponding period.

- The increase loss is predominantly attributable to the recognition in FY2013 of the Australian Government's research and development incentive for both FY2012 and FY2013, whereas FY2014 result only has a single year's incentive as income.
- Employee related expenses increased to $1.570m compared to $1.135m in 2013. The increase in employee expenses is the result of the full expensing of the options approved by shareholders on 1 July to Mr David Williams. While Mr Williams did not have his options granted until they were approved by shareholders on 1 July 2014 accounting standards require the full expensing of these options in FY2014. The expense reported in FY2014 is consistent with the valuation disclosed in the Notice of Meeting and is a non-cash transaction.
- Research and development expenses increased from $0.847m to $1.09m over the year reflecting PolyNovo's

increased regulatory expenses associated with the submission of its 510(k) and CE Mark approvals for its Topical Negative Pressure.

- In FY2014, Calzada received cash inflows in the form of tax benefits of $0.804m (2013: $0.789), relating to the Group's FY2013 Research and Development tax benefit. Calzada has accrued $0.939m in respect to the Group's FY2014 Research and Development tax benefit.
- An increase in interest income from $0.165m to $0.184m was reported for the period. This primarily reflects higher cash holdings as a result of the Share Purchase Plan completed in July 2013 and the exercise of options.
- Net assets at year end totaled $8.668m which increased from $7.817m at 30 June 2013. The increase in assets is the result of the Share Purchase Plan completed in July 2013.
- At year end Calzada had cash on hand and cash held in term deposits (including those classified as a financial asset in the Statement of Financial Position) of $4.726m (2013:$3.943m).

Entities the Company gained control of during the period

Nil.

Earnings per share	**2014**	**2013**
Basic	(0.71)	(0.43)
Diluted	(0.71)	(0.43)

Net tangible assets	**2014**	**2013**
Net tangible asset backing per security	$0.0152	$0.0145

The financial statements have been audited. The Annual Report including the auditor’s report is attached.

Further details in respect to the financial results reported above are provided in the attached Annual Report.

calzada

LIMITED

ABN 96 083 866 862

Annual Report

For the year ended 30 June 2014

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MESSAGE FROM THE CHAIRMAN

Dear Shareholder,

This year has seen a number of Board and management changes. Of the Board that reported on the June 2013 year Bruce Rathie and David McQuillan remain. New Board members include myself, Roger Aston, Max Johnson and Philip Powell.

On 15 July 2014, the Board announced significant organisation initiatives that included the commitment to appoint a Managing Director responsible for Calzada and roles to expand the number of staff in PolyNovo in the commercial, clinical, regulatory, quality and manufacturing roles.

Underpinning these changes is the desire to enhance the prospects of the PolyNovo business by improving speed to market.

PolyNovo has had a year of achievement, but the Board believes there is a pressing need to improve the pace of development and commercialisation which can only be done by adding to the internal resources of the Company.

Positive developments for the year include:

- PolyNovo now has a regulated product (NovoPore™) in both the EU and USA:
- Human trials in burns and wound surgery continue to provide evidence of the benefits of the NovoSorb™ material:
- The Victorian Government is funding a feasibility study that may lead to a clinical trial at the well regarded Burns Unit at The Alfred:
- A number of trials are being conducted by third parties into potential applications of NovoSorb™ :
- Preliminary confidential discussions are occurring with a number of local and international parties about non-dilutive funding for trials and commercialisation opportunities: and
- A well supported Share Purchase Plan capital raising in July last year.

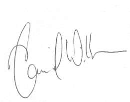
On the other hand, some developments were slower to advance than previously advised:

- 510(k) wounds application to the FDA was delayed and will now be lodged in the coming weeks:
- BARDA application for funding a major US burns trial has been delayed but will be lodged in late August:
- NovoPlastiq venture has not advanced as expected: and
- Hernia licencing discussion continue, but has not yet been completed.

There is plenty to do and we are not standing still while undertaking a search for a Managing Director. Philip Powell and David McQuillan remain as Joint Acting Managing Directors.

We have also announced a review of our future commitment to Metabolic and are considering alternatives to best extract value from the AOD9604 peptide. AOD9604 has been the subject of prior Board announcements, and this Board is determined to bring this matter to a conclusion in the near future.

I look forward to sharing news on developments over the coming months.



David Williams

Chairman, Calzada Limited

DIRECTORS' REPORT

The Board of Directors of Calzada Limited ("Calzada") resolved to submit the following report together with the consolidated Annual Financial Report in respect of the financial year ended 30 June 2014.

Board of Directors and Senior Management

The names and details of Directors and Senior Management during the year and until the date of this report are contained in this section. Directors were in office for the entire period unless otherwise stated.

Mr David Williams (B.Ec (Hons), M.Ec, FAICD)

NON-EXECUTIVE CHAIRMAN

Mr Williams was appointed as a Non-executive Director on 28 February 2014 and Chairman on 13 March 2014.

Mr Williams is an experienced Director and Investment Banker with a proven track record in business development and strategy, as well as in corporate initiatives specialising in mergers and acquisitions and capital raising. He possesses 30 years experience working with and advising ASX listed companies in the food, medical device and pharmaceutical sectors.

Mr Williams was previously the Managing Director of Challenger Corporate Finance, Head of Mergers & Aquisitions-Melbourne, Societe Generale Hambros, Head of Mergers & Acquisitions at ANZ McCaughan, and Australian Head of Mergers & Acquisitions Arthur Andersen & Co. He has been Chairman of Tassal Group Ltd. and Austin Group Ltd. and held numerous other Directorships including with Amcal Ltd. and Select Harvests Ltd.

Mr Williams is currently Chairman of ASX Listed Medical Developments International Ltd. (ASX:MVP), Director of IDT Ltd. (ASX:IDT) and is Managing Director of corporate advisory firm Kidder Williams Ltd.

Dr David McQuillan (PhD)

NON EXECUTIVE DIRECTOR/JOINT ACTING MANAGING DIRECTOR

Dr McQuillan was appointed a Director of Calzada on 6 August 2012 and Joint Acting Managing Director on 15 July 2014.

Dr McQuillan possesses extensive technical, medical, scientific and regulatory knowledge, as well as merger and acquisition expertise. He obtained his Bsc (Hons) and PhD in Biochemistry from Monash University (Clayton, Australia) and spent 15 years in academic based research environments, including the National Institutes of Health (Bethesda, MD), The University of Melbourne (Parkville, Australia), and Texas A&M University Health Science Center (Houston, TX).

In 2000, Dr McQuillan joined LifeCell Corporation, and serving a number of roles of increasing responsibility, finally as the Vice-President for Research and Development (R & D). He led LifeCell's R & D team focusing on the creation of market-leading products for reconstructive and plastic surgery applications. Following regulatory clearance in 2008 for its new reconstructive tissue matrix Strattice™, LifeCell was acquired by Kinetic Concepts Inc ("KCI") for US$1.8 billion. Following the acquisition, Dr McQuillan became the Senior Vice President of Advanced Research and Technology at KCI. Dr McQuillan left KCI in 2011 after its acquisition by a private consortium for US$6.7 billion.

He is Co-Founder and Chief Science Officer for TELA Bio, a VC-funded development-stage biotechnology Company based in Pennsylvania. He also serves as an Operating Partner of 1315 Capital, a private equity partnership that provides capital to commercial-stage pharmaceutical, medical technology, and healthcare services companies.

Mr Bruce Rathie (BComm, LLB, MBA, FAIM, FAICD)

NON-EXECUTIVE DIRECTOR

Mr Rathie was appointed a Non-executive Director of Calzada on 18 February 2010.

Mr Rathie holds degrees in law, commerce and business and has considerable experience as a lawyer having practiced as a solicitor and partner in a major Brisbane based legal firm and then as Senior in-house Counsel to Bell Resources Limited from 1980 to 1985 in aggregate.

He studied for his MBA in Geneva and then went into investment banking in 1986 which subsequently took him to New York for over 2 years returning to Sydney in 1990.

He spent the 1990's in investment banking in Sydney, the last 5 years as a Director of Investment Banking at Salomon Brothers/ Salomon Smith Barney where he was Head of the Industrial Franchise Group and also led Salomon's roles in the Federal Government's privatisation of Qantas, Commonwealth Bank (CBA3) and Telstra (T1).

Mr Rathie is, in addition to his Non-executive Director role at Calzada, Executive Chairman of DataDot Technology Limited (ASX: DDT), Non-executive Director of Capricorn Society Limited the largest auto parts cooperative in the Southern Hemisphere with operations in Australia and New Zealand, and is also Chairman of Eftpos Payments Australia Limited the Australian debit card payment Company.

Mr Rathie resigned as a Non-executive Director of ASX listed Mungana Goldmines Limited (a gold mining Company) on 19 August 2013. In the biotechnology sector, Mr. Rathie has served on the Boards of ASX listed Compumedics Limited, Anteo Diagnostics Limited (Chairman) and USCOM Limited.

Dr Roger Aston (BSc (Hons) PhD)

NON-EXECUTIVE DIRECTOR

Dr. Roger Aston was appointed Non-executive Chairman of Calzada Limited on 15 November 2013 and Non-executive Director on 13 March 2014.

Dr Aston is both a scientist and seasoned biotechnology entrepreneur, with a successful track record in both fields. He currently has several executive and Non-executive board positions with prominent biotechnology companies. He has had extensive experience on boards of many pharmaceutical companies, and has been CEO of Pitney Pharmaceuticals Ltd, Psimedica, Psioncology Pty Ltd, Peptech and Cambridge Antibody Technology.

In 2001, he co-founded pSivida Limited. He served as the Chief Executive Officer of Halcygen Ltd, and as Chief Executive Officer of Mayne Pharma Group Limited until 15 February 2012. During his career, he has been closely involved in start-up companies and major pharmaceutical companies. Aspects of his experience include FDA and EU product registration, clinical trials, global licensing agreements, fundraising through private placements, and a network of contacts within the pharmaceutical, banking and stock broking sectors.

Dr Aston is currently Executive Chairman of Pharmaust (ASX:PAA) and Non-executive Director of Regeneus (ASX:RGS), Oncosil Limited (ASX:OSL) and Non-executive Chairman of Immuron Limited (ASX: IMC)

Mr Max Johnston

NON-EXECUTIVE DIRECTOR

Mr Johnston was appointed a Non-executive Director on 13 May 2014.

Mr Johnston held the position of President and Chief Executive Officer of Johnson & Johnson Pacific, the world's largest Medical, Pharmaceutical and Consumer Healthcare Company for 11 years. During his tenure he also served as Director of Johnson & Johnson Research and was a member of their Research Review Committee. Prior to joining Johnson & Johnson, Mr. Johnston's career also included senior roles with Diageo and Unilever in Europe.

Mr Johnston has also held several prominent industry roles as a past President of ACCORD Australasia Limited, a former Vice Chairman of the Australian Food and Grocery Council and a former member of the board of ASMI. Mr Johnston has had extensive overseas experience during his career in leading businesses in both Western and Central-Eastern Europe, Africa as well as Asia-Pacific.

Mr Johnston is currently a Non-executive Director of Medical Developments International Ltd (ASX:MVP), Enero Group Limited (ASX:EGG), and Acting Non-executive Chairman of Probiotec Ltd (ASX:PBP).

Mr Philip Powell B Comm (Hons), ACA, FINSIA, MAICD

NON EXECUTIVE DIRECTOR/JOINT ACTING MANAGING DIRECTOR

Mr Powell was appointed a Non-executive Director on 13 May 2014 and Joint Acting Managing Director on 15 July 2014.

Mr Powell has over 18 years experience in investment banking specialising in capital raisings, IPOs, mergers and acquisitions and other successful corporate finance assignments across a diverse range of sectors including utilities, IT, pharma, financial services, food and agriculture. He spent 10 years in senior financial roles at OAMPS Ltd, a former ASX listed financial services group and 10 years in audit with Arthur Andersen & Co. in Melbourne, Sydney and Los Angeles. Mr Powell has been involved in numerous IPO engagements, valuations and venture capital related raisings.

Mr David Franklyn (BEcon)

NON-EXECUTIVE CHAIRMAN

Mr Franklyn resigned as Chairman of Calzada and its 100% owned subsidiary PolyNovo Biomaterials Pty Ltd on 15 November 2013.

Mr Franklyn is currently Managing Director of Entrust Funds Management Ltd, a Western Australian based boutique funds management business, and a Chairman of ASX Listed Nomad Building Solutions Ltd (ASX:NOD).

Mr Chris Mews (CPA, ACIS)

COMPANY SECRETARY/CHIEF FINANCIAL OFFICER

Mr Mews was appointed Company Secretary of Calzada Ltd on 16 April 2009 and was appointed Chief Financial Officer on 1 September 2009.

Mr Mews has been involved in the financial services industry for over 10 years. Mr Mews is a Certified Practicing Accountant and Chartered Company Secretary and has been Company Secretary and Chief Financial Officer of various listed and unlisted companies.

Principal Activities

Calzada owns 100% of PolyNovo Biomaterials Pty Ltd (PolyNovo) and 100% of Metabolic Pharmaceuticals Pty Ltd (Metabolic). Refer to the review of operations for a full description of the activities of each of these business units.

The parent Company has 1 full-time employee and 1 part time employee. Where required, the parent Company outsources to expert contractors and consultants to gain access to the best possible expertise for continued advancement of its development assets.

Financial Results

Calzada reported a net loss after tax of $2,941,975 on revenue of $268,793 for the 2014 financial year. This was an increase of 96% from the prior year loss of $1,497,555.

Major factors in the result were as follows:

- The increase loss is predominantly attributable to the recognition in FY2013 of the Australian Government's research and development incentive for both FY2012 and FY2013, whereas 2014 result only has a single year's incentive as income.
- Total revenue of $268,793 remained consistent with the prior year of $278,445.
- Employee related expenses increased to $1,570,477 compared to $1,135,607 in 2013. This is due to the expensing of share options to David Williams of $480,000.
- Research and development expenses increased from $847,473 to $1,091,240 over the year reflecting PolyNovo's increased regulatory expenses associated with the submission of its 510(k) and CE Mark approvals for its Topical Negative Pressure.

- In 2014, Calzada received actual cash inflows in the form of tax benefits of $804,584 (2013: $789,255), relating to the Group's 2013 Research and Development tax benefit. Calzada has accrued $939,462 in respect to the Group's 2014 Research and Development tax benefit.
- An increase in interest income from $165,880 to $184,381 was reported for the period. This primarily reflects higher cash holdings as a result of the Share Purchase Plan completed in July 2013 and the exercise of options.
- Net assets at year end totaled $8,668,011 which increased from $7,817,880 at 30 June 2013. The increase in assets is the result of the Share Purchase Plan completed and the exercise of options.
- At year end Calzada had cash on hand and cash held in term deposits (including those classified as a financial asset in the Statement of Financial Position) of $4,726,360.

Loss Per Share

	Cents
Basic loss per share	(0.71)
Diluted loss per share	(0.71)

As the Group made a loss for the year ended 30 June 2014, potential ordinary shares, being options or performance rights to acquire ordinary shares, are considered non-dilutive and therefore not included in the diluted earnings per share calculation.

Dividends

No amounts have been recommended by the Directors that should be paid by way of dividend by the Group during the current financial year. No cash dividends have been paid or declared by the Group since the beginning of the financial year.

Review of Operations

Calzada has two operating businesses, being PolyNovo and Metabolic.

POLYNOVO

PolyNovo's focus is on the development of innovative medical devices for a number of medical applications utilising its NovoSorb™ technology.

NovoSorb™ is a family of proprietary medical grade polymers that can be utilised to manufacture novel medical devices designed to support tissue repair and then degrade in a defined fashion *in-situ* to harmless by-products. NovoSorb™ has significant advantages over competitor biodegradable polymers in terms of its design flexibility. PolyNovo is able to manufacture NovoSorbÊ polymer devices with a range of mechanical properties and flexible degradation times from months to years that are suitable for many different medical applications.

Key attributes of NovoSorb™:

- Unparalleled range of mechanical properties & degradation times:
- Excellent biocompatibility and safety profile:
- Harmless degradation:
- Potential to deliver drugs, biological agents and or cells: and
- Scaleable manufacturing and processing.

PolyNovo seeks to commercialise NovoSorb™ through licensing with specialist external distributors, partnering with groups that have complementary skills and expertise or by joint ventures to develop products internally.

Below is a summary of PolyNovo's lead projects:

Topical Negative Pressure (TNP)

TNP is a medical procedure to remove excess fluid from chronic wounds such as pressure sores. It prevents infection, encourages new tissue to grow, increases the blood supply so nutrients and oxygen are delivered to the wound keeping it moist and pulling the edges of the wound together. TNP involves a package of a foam dressing over the wound, a suction pump, and a drainage tube from the dressing to a canister. Our NovoPore™ wound dressing provides the foam component.

As previously announced, PolyNovo received CE Mark certification on 21 July 2014 and FDA 510(k) clearance on 6 March 2014 for NovoPore™. PolyNovo can now market NovoPore™ in the European Union (EU) and the USA. The registration of our foam product in the US and EU is a significant step in global regulatory status of PolyNovo material. (Note: In the USA TNP is referred to as Negative Wound Pressure Therapy or “NWPT”).

PolyNovo is investigating commercialisation opportunities with companies who have established TNP therapy packages, whereby NovoPore™ would replace or supplement their existing foam components. It is unlikely that any deals will be finalised in this calendar year.

BTM Surgical Wounds US 510(k) Submission

NovoSorb™ Biodegradable Temporising Matrix (BTM) works by stabilising a surgical skin wound and permitting new underlying skin formation as a precursor to a skin graft. Preliminary trials have indicated that BTM is safe and has strong medical benefits over existing treatment regimes. We now believe we have sufficient data to pursue registration of this product with the American FDA, that if successful, would allow the product to be marketed in the USA for surgical wound applications.

We expect to lodge the 510(k) submission with the FDA during Q4 CY2014.

The Company has commenced assessing potential commercialisation options.

BTM for 3rd Degree Burns

One of the strong potential uses of BTM is in the treatment of 3rd Degree burns (as distinct from surgical wounds). However the pathway to registration is expected to require extensive clinical trials.

PolyNovo announced on 23 December 2013 that a trial of BTM in significantly injured burn patients had commenced recruitment. The trial is being conducted by Principal Investigator, Professor John Greenwood AM, at the Royal Adelaide Hospital. The performance of the BTM and data collected from this trial will be used to assist in the protocol design for larger multi-centre burn trials (see below).

As reported on 5 June 2014 a middle-aged patient that sustained flame burns to approximately 75% of his total body surface area (TBSA), with full thickness burns affecting 45% TBSA became the first patient recruited in the trial. To date the performance of the BTM has progressed satisfactorily. No further patients have been recruited.

PolyNovo is planning clinical trials to initially satisfy EU, USA and Australian regulatory requirements for the BTM in 3rd degree burn applications. PolyNovo is working with an EU based Contract Research Organisation to define the clinical trial requirements for regulatory submissions in Europe and Australia.

PolyNovo is assessing the funding required to undertake these trials. We are pleased to advise that PolyNovo has received a grant from the Victorian Government to prepare a feasibility study to conduct a trial in collaboration with the highly regarded Burns Unit at the Alfred hospital, Melbourne. A possible outcome of the feasibility study is that funding may be available from the Victorian Government for a clinical trial in 2015.

PolyNovo has applied to the Biomedical Advanced Research and Development Authority (BARDA) to fund a major burns trial in the USA that would assist in FDA approval. BARDA is a US Government agency that provides medical countermeasures that address the public health and medical consequences of matters such as chemical, biological, radiological, and nuclear incidents. Following initial discussions, a revised proposal is currently being compiled by PolyNovo, its regulatory and clinical advisers to be lodged later this month. We will keep the market informed as to the outcome of this proposal, but this may be several months away.

Facial Aesthetics

On 9 July 2013 PolyNovo announced it had entered into an agreement with NovoPlastiq, LLC, a Company formed by US specialists to commercialise and distribute medical devices in the field of facial implant and aesthetic surgery. Under the terms of the agreement NovoPlastiq was responsible for raising the necessary working capital, gaining regulatory approvals, marketing and distribution of the finished devices. NovoPlastiq has so far been unsuccessful in raising the necessary working capital for the project to proceed to the next stage. The Company is investigating the future of this relationship.

Hernia Repair

PolyNovo announced on 24 February 2014 it had completed a Feasibility Agreement with a specialist USA device Company to evaluate the use of NovoSorb™ polymers in products for potential use in hernia repair.

The hernia market is broadly split between synthetic meshes for simple hernia repair and biologic meshes for the more complex repairs and each have their specific shortcomings and limitations. The Company believes NovoSorb™'s biodegradability, biocompatibility, adjustable biophysical properties, and safety profile can provide advantages over existing devices.

PolyNovo continues negotiations with the Company to enter into a Licence and Supply Agreement which involves milestone payments and a share of royalties.

Other

There are a number of areas where PolyNovo's products are being tested and reviewed by third parties for a range of applications. These trials are conducted under confidentiality arrangements. Shareholders will be advised if and when trials by third parties result in commercial arrangements.

Metabolic

Metabolic owns the intellectual property of the peptide AOD9604 which has potential applications in the treatment of obesity, bone, cartilage and muscle diseases and repair. AOD9604 is a small 16 amino acid peptide modeled on one active segment of human growth hormone. It has proven to have an excellent safety and tolerability record following formal pre-clinical development and testing in a total of six human clinical trials involving 925 humans.

The following key initiatives are being pursued to generate shareholder value:

GENERALLY RECOGNISED AS SAFE (GRAS) STATUS PRODUCTS IN THE US MARKET

AOD9604 received a full Generally Recognised As Safe ('GRAS') status in the USA in July 2014.

GRAS status allows AOD9604 to be sold as a nutrient supplement in conventional and functional foods, drinks and dietary supplements in the USA at the daily level of up to 1 mg per person. As such it is exempt for these designated food uses from further pre-market approval requirements of food and drink ingredients in the USA.

The journal articles published to achieve GRAS status are:

1. *Safety and Tolerability of the Hexadecapeptide AOD9604 in Humans, Journal of Endocrinology & Metabolism April 2013*: and

2. *Safety and Metabolism of AOD9604, a Novel Nutraceutical Ingredient for Improved Metabolic Health, Journal of Endocrinology & Metabolism June 2014*.

COMPOUNDING CHEMIST LICENSES

During this year, Metabolic entered into non-exclusive licences with two Australian compounding pharmacies. These licences are solely for the use, manufacture and sale of AOD9604 in compounded medicine preparations that comply with Australian regulatory requirements. Revenue from these licenses is so far small, but assert the Company's propriety rights.

Significant Changes in the State of Affairs

Except as otherwise set out in this report, the Directors are unaware of any significant changes in the state of affairs or principal activities of the Company that occurred during the period under review.

Strategic Overview and Likely Developments

Calzada continues to focus on PolyNovo as this business makes progress in developing its NovoSorbÊ technology platform.

PolyNovoõs focus over the next six to twelve months will be to:

Finalise its 510(k) regulatory submission for marketing approval for BTM dressings in full thickness surgical wounds.

PolyNovo will continue the trial being conducted at the Royal Adelaide Hospital in 3rd degree burn patients.

The Company expects to submit its final application in August to the Biomedical Advanced Research & Development Authority (BARDA) in relation to a contract to undertake a US clinical trial for regulatory submission to the FDA for 3rd degree burns.

The Board is reviewing its future commitment to Metabolic and is considering the alternatives to best extract value from the AOD9604 peptide. These alternatives include licence, trade sale or as a separate listed entity.

Significant Events After the Balance Date

On 1 July 2014 shareholders approved the issue of 10,000,000 options to Mr David Williams. 7,500,000 have an exercise price of $0.09, vest 100% immediately and expire 3 years from the date of issue. 2,500,000 have an exercise price of $0.20, vest 100% immediately and expire 3 years from the date of issue.

On 21 July 2014 Calzada announced that its subsidiary had received CE Mark clearance enabling it to market and sell its Topical Negative Pressure dressing NovoPore™ in the European Union.

The Directors are not aware of any other matters or circumstances since the end of the financial year other than those described above, not otherwise dealt with in this report which have significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Indemnification and Insurance of Directors and Officers

During the period under review, the Company indemnified its Directors, Company Secretary and Executive Officers in respect of any acts or omissions giving rise to a liability to another person (other than the Company or a related party) unless the liability arose out of conduct involving a lack of good faith. In addition, the Company indemnified the Directors and the Company Secretary against any liability incurred by them in their capacity as Directors or Company Secretary in successfully defending civil or criminal proceedings in relation to the Company. No monetary restriction was placed on this indemnity.

The Company has insured its Directors, Company Secretary and Executive Officers for the period under review. Under the Companyõs Directorsô and Officersô Liability Insurance Policy, the Company shall not release to any third party or otherwise publish details of the nature of the liabilities insured by the policy or the amount of the premium. Accordingly, the Company relies on section 300(9) of the *Corporations Act 2001* to exempt it from the requirement to disclose the nature of the liability insured against and the premium amount of the relevant policy.

Inherent Risks of Investment in Biotechnology Companies

There are many inherent risks associated with the development of pharmaceutical and medical products to a marketable stage. The clinical trial process is designed to assess the safety and efficacy of a drug or medical device prior to commercialisation and a significant proportion of drugs and medical devices fail one or both of these criteria. Other risks include uncertainty of patent protection and proprietary rights, whether patent applications and issued patents will offer adequate protection to enable product development, the obtaining of necessary regulatory authority approvals and difficulties caused by the rapid advancements in technology.

Companies such as Calzada are dependent on the success of their research projects and on the ability to attract funding to support these activities. Investment in research and development projects cannot be assessed on the same fundamentals as trading and manufacturing enterprises. Further, access to capital and funding for the Company and its projects going forward cannot be guaranteed. Thus investment in Companies specialising in these, such as Calzada, must be regarded as highly speculative. Calzada strongly recommends that professional investment advice be sought prior to such investments.

Forward-looking statements

Certain statements in this Annual Report contain forward-looking statements regarding the Companyôs business and the therapeutic and commercial potential of its technologies and products in development. Any statement describing the Companyôs goals, expectations, intentions or beliefs is a forward-looking statement and should be considered an at-risk statement. Such statements are subject to certain risks and uncertainties, particularly those risks or uncertainties inherent in the process of discovering, developing and commercialising drugs and medical devices that can be proven to be safe and effective for use in humans, and in the endeavor of building a business around such products and services. Calzada undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events, or otherwise. Actual results could differ materially from those discussed in this Annual Report. As a result you are cautioned not to rely on forward-looking statements.

Environmental Regulation

Calzada is not subject to significant environmental regulations.

Board Monitoring

The Board monitors the Companyôs overall performance, from the implementation of its strategic plan through to the performance of the Group against operating plans and financial budgets. For further details regarding Calzadaôs Board and Committees refer to the Corporate Governance Statement in this DirectorsôReport.

Board and Committee Meetings

The number of meetings of the Board of Directors, Board Committees and Director attendance at those meetings during the year under review was:

	Full Board		Audit Committee		Remuneration Committee[1]	
Directors	**Meetings attended**	**Meetings eligible to attend**	**Meetings attended**	**Meetings eligible to attend**	**Meetings attended**	**Meetings eligible to attend**
Total number of meetings held	9		2		ï	
Mr David Williams[4]	2	2	ï	ï	ï	ï
Dr Roger Aston[2]	5	5	1	1	ï	ï
Mr David Franklyn[3]	3	3	1	1	ï	ï
Mr Bruce Rathie	9	9	2	2	ï	ï
Dr David McQuillan[7]	8	9	ï	ï	ï	ï
Mr Max Johnston[5]	1	1	ï	ï	ï	ï
Mr Philip Powell[6]	1	1	ï	ï	ï	ï

[1]Calzada does not have an established Remuneration Committee. Due to the small size of the business the Board acts as the Remuneration Committee and addresses such issues during the year as they arise.
[2]Dr Aston was appointed a Director on 15 November 2013.
[3]Mr Franklyn resigned as Director on 15 November 2013.
[4]Mr Williams was appointed a Director on 28 February 2014, and Chairman on 13 March 2014.
[5]Mr Johnston was appointed a Director on 13 May 2014.
[6]Mr Powell was appointed a Director on 13 May 2014 and Joint Acting Managing Director on 15 July 2014.
[7]Dr McQuillan was appointed Joint Acting Managing Director on 15 July 2014.

DirectorsôShareholdings and Declared Interests

At 30 June 2014, the Directors of Calzada collectively hold 1,520,770 shares in the Company.

As at the date of this report the interests of the Directors in the Companyõs shares are:

Name	Shares held directly	Shares held indirectly
Directors:		
Mr David Williams	ï	190,000
Mr Bruce Rathie	ï	1,230,770
Dr Roger Aston	ï	ï
Dr David McQuillan	ï	ï
Mr Max Johnston	ï	ï
Mr Philip Powell	ï	100,000
Total:	ï	**1,520,770**

As at 30 June 2014 and as at the date of this report, no Director has an interest in any contract or proposed contract with Calzada other than as disclosed below or in the Groupõs 2014 Annual Report. Further details of the equity interests of Directors can be found in the Remuneration Report in this DirectorsôReport and Note 23 (C) of the Annual Financial Report.

The Directors received the following declaration from the auditor of Calzada Limited.

Building a better working world

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Auditor's Independence Declaration to the Directors of Calzada Limited

In relation to our audit of the financial report of Calzada Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Don Brumley
Partner
25 August 2014

Non-Audit Services

During the period under review the amount received, or due and receivable for non-audit services provided by the Group's auditor, Ernst & Young, were:

Preparation of tax returns	$12,500
Accounting requirement for Government Grant application	$3,000
Preparation and lodgment of Research and Development tax benefit application	$13,750

The Directors are satisfied that the provision of non-audit services during the current period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Corporate Governance Statement

Introduction

The Board of Calzada is responsible for the corporate governance of the Group and guides and monitors the business on behalf of its shareholders. The Board has strived to reach a balance between industry best practice and appropriate policies for Calzada in terms of its size, stage of development and role in the biotechnology industry. Calzada performed a review of its Board policies and governance practices with reference to the eight Principles of Good Corporate Governance and the Best Practice Recommendations (Recommendations) established by the ASX Corporate Governance Council. The Recommendations are not mandatory and cannot, in themselves, prevent corporate failure or poor corporate decision-making. They are intended to provide a reference point for companies about their corporate governance structures and practices.

The Directors have considered each of the core Principles and Recommendations during the period under review. There are instances where the Company would not benefit from compliance with the Recommendations, and in some instances the Company has not had the resources to comply. The Recommendations that were not adopted are discussed in this Corporate Governance Statement.

Principle 1: Lay solid foundations for management and oversight

RECOMMENDATION 1.1

The role of the Board is to represent the interests of shareholders, by providing the Group with good governance and strategic direction. Calzada has adopted a Board Charter setting out the matters reserved to them, including their function and responsibilities. The Board Charter is available at www.calzada.com.au in the Corporate Governance section.

Calzada delegates authority to Senior Management for the day-to-day running of the business as per agreed delegations.

Currently Calzada has 1 full time employee and 1 part time employee. Calzada's 100% owned subsidiary PolyNovo employs an additional 3 full time staff. Senior Management of PolyNovo and Metabolic report directly to the Calzada board via the Chairman.

RECOMMENDATION 1.2

Calzada conducts a formal review of the Senior Executives within the Group on an annual basis. The Remuneration Committee has been performed by the full Board from 1 May 2011. The Charter of the Remuneration Committee includes the evaluation of the performance of Senior Management and Executives in consultation with the Board. The Board has assumed all the functions as outlined in the Remuneration Committee charter.

Principle 2: Structure the Board to add value

RECOMMENDATION 2.1

The Board has adopted the Council's recommended criteria for assessing Director independence. To be assessed as independent, a Director must fulfill a number of criteria as outlined in the ASX Corporate Governance Principles. As at the date of this report all Directors are considered independent.

The Company provides the Board with access to independent professional advice at the Company's expense, unless the Board determines otherwise.

As at the date of this Directors' Report, the Board of Calzada is comprised of 6 Directors, with a combination of commercial acumen and experience in the biotechnology industry and capital markets. The relevant qualifications and details of each Director are documented in this Directors' Report under the section titled Board of Directors and Senior Management.

All Directors at the date of this report have no commercial agreements with Calzada and are not a substantial holder of shares in the Company. As such all Directors are considered independent as at 30 June 2014.

The independence and tenure of each Director in office as at the date of this Directors' Report is described in the table below:

Director	Position	Independence	Area of expertise
Mr David Williams (appointed in February 2014)	Chairman, Non-executive Director	Independent	Managing Director of Kidder Williams, he is an Investment Banker with a proven track record in business development and strategy, as well as in corporate initiatives specialising in mergers and acquisitions and capital raising.
Mr Bruce Rathie (appointed in February 2010)	Non-executive Director	Independent	Extensive experience across a wide range of industries including biotech, legal, financial, investment, strategy and commercial expertise and is an experienced Non-executive Director.
Dr David McQuillan (appointed in August 2012)	Acting Joint Managing Director	Independent	Extensive experience across a wide range of biotechnology companies in the USA.
Dr Roger Aston (appointed in November 2013)	Non-executive Director	Independent	Dr Aston has had extensive biotechnology experience in Australia and overseas. He is experienced in FDA and EU product registration, clinical trials, global licensing agreements and fundraising through private placements.
Mr Max Johnston (appointed in May 2014)	Non-executive Director	Independent	He has had extensive experience in biotechnology companies both in Australia and overseas.
Mr Philip Powell (appointed in May 2014)	Acting Joint Managing Director	Independent	He has over 18 years experience in investment banking specialising in capital raisings, IPOs and mergers and acquisitions.

Calzada has agreed to indemnify its Directors against certain liabilities and to maintain Directors and Officers insurance coverage.

Role of the Chair

RECOMMENDATION 2.2

The Chairman is considered to be independent. The Chairman is Non Executive at the date of this report.

RECOMMENDATION 2.3

The role of the Chairman and Chief Executive Officer are not performed by the same person as at the date of this report.

Nomination Committee

RECOMMENDATION 2.4

The Board performs the role of the nomination committee due to the small size of the Company. Any new Director is considered by the full board to ensure the best qualified person is appointed regardless of gender.

Evaluation of the Board

RECOMMENDATION 2.5

Given the Board has not been in office for a reasonable period of time a formal review of its performance was not conducted. The Board is responsible for reviewing its own performance. A review of the performance of the Board is conducted by the Chairperson and Directors on an ongoing basis and going forward through an annual self assessment process. All Directors have access to continuing education and are provided with the information they need to discharge their responsibilities effectively. The Company Secretary plays an integral role in supporting the Board by monitoring Board policy and procedures, and co-ordinating meeting documentation.

Principle 3: Promote ethical and responsible decision-making

RECOMMENDATION 3.1

Calzada distributes its code of conduct to all employees and Directors. The Code of Conduct documents the practices necessary to maintain confidence in the Company's integrity and these practices are in line with the Council's guidelines on good corporate governance.

The Code of Conduct Policy covers the following:

- compliance with the law:
- acting honestly and with integrity:
- to not place themselves in situations which result in a conflict of interest:
- use the Company's assets responsibly and in the best interests of the Company: and
- to be responsible and accountable for their actions.

RECOMMENDATION 3.2

The Board has established a Gender Diversity Policy. Calzada's Gender Diversity Policy is publicly available at www.calzada.com.au.

RECOMMENDATION 3.3

In adopting a Gender Diversity Policy the following objectives were considered:

- establishing a committee to oversee diversity:
- improve the proportion of women within executive management where appropriate: and
- mentoring and development programs, including all employed women in networking initiatives in the industry and field where applicable.

RECOMMENDATION 3.4

The Group has 4 full time employees and 1 part time employee. PolyNovo employs 3 full time employees while Calzada employs 1 full time employee and 1 part time employee. There are no women in senior executive positions. As at the date of this report the Board of Calzada does not contain a female member. Calzada is an Equal Opportunity Employer and actively encourages diversity in the workplace.

Principle 4: Safeguard integrity in financial reporting
Calzada's Audit Committee

RECOMMENDATION 4.1

The Board has established an Audit Committee which operates under a formal Charter approved by the Board. It is the Board's responsibility to ensure that an effective control framework exists within the entity. This includes ensuring that there are internal controls to deal with both the effectiveness and efficiency of significant business processes, including the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Group to the Audit Committee. The full Board is ultimately responsible for the Group's financial reporting.

The Audit Committee provides the Board with additional assurance regarding the reliability of financial information for inclusion in the Annual Financial Report and Half Year Report, and is responsible for the nomination of the external auditor and reviewing the scope and quality of the annual statutory audit and half-year statutory review.

RECOMMENDATION 4.2 - 4.4

Listed Company's audit committees are recommended to have:

- at least three Directors in their Audit Committee:
- audit committee comprising of only Non-executive Directors:
- the majority of members are to be independent: and
- the committee should be chaired by a Director other than the chairperson of the Board.

Whilst one of the four criteria recommended for the composition of Audit Committees has not been met, Calzada does not believe it was disadvantaged given that the members possess the relevant financial skills and experience to perform the responsibilities of the Committee.

Current membership of Calzada's Audit Committee addresses the criteria provided in Recommendation 4.2 as follows – the committee comprises 3 Directors, two of the three are Non-executive Directors and all are considered independent. The Chair of the Audit Committee is not the Chairman of the Board, however at the date of this report the Chairman of the Audit Committee is Joint Acting Managing Director.

The current members of the Audit Committee are:

- Mr Philip Powell – Chairman
- Mr Bruce Rathie
- Dr Roger Aston

The members of the Audit Committee are financially literate and have substantial public Company experience. Details of the qualifications of Audit Committee members are included in this Directors' Report in the Board of Directors and Senior Management section. The partner of the Company's external auditor is invited to attend Audit Committee meetings as required. For details of the number of meetings of the Audit Committee held during the year and the attendees at those meetings, refer to the Board and Committee Meetings section in this Directors' Report.

There is a formal charter for the Audit Committee which is available at www.calzada.com.au.

Principle 5: Make timely and balanced disclosure

Calzada's Market Disclosure Protocol reflects the recommendations by the Council regarding continuous disclosure. The Company ensures that there is an appropriate balance in its disclosure of information by using a Board approach where possible to formulate its announcements. Calzada's announcements are made in a timely manner, are factual, do not omit material information and expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

The Company provides commentary in relation to its Annual Financial Report and provides a full review of operations for the reporting period in its Annual Report as required by the ASX Listing Rules. All ASX announcements are available at asx.com.au.

Principle 6: Respect the rights of shareholders
Shareholder Communications

RECOMMENDATION 6.1

Calzada communicates regularly with its shareholders, using ASX announcements, Company newsletters, the Annual Report, the Annual General Meeting and the Company's website. Access to ASX announcements is available to shareholders by using links available on the Company's website.

Policies and procedures regarding the governance of the Company are available at www.calzada.com.au in the Corporate Governance section.

The Company has encouraged shareholders to elect to receive communications electronically. This serves the best interests of shareholders by facilitating the delivery of shareholder communications by electronic means, thus reducing costs and protecting the environment. Shareholders are encouraged to ask questions or provide feedback to the Company by email, phone or fax as well as at the Company Annual General Meeting. Contact details of senior executives are provided on ASX announcements and newsletters.

There is a formal Communications Policy which is available at www.calzada.com.au in the Corporate Governance Section.

Principle 7: Recognise and manage risk
Calzada has implemented a formal risk management system

RECOMMENDATION 7.1 - 7.2

Calzada has a formal risk management policy and a risk register. This approach to risk management involves identifying, assessing and managing the risks that affect the business, whilst at the same time considering these risks in the context of the Group's values, objectives and strategies.

Risks are analysed and where possible reduced, but it is not always possible to completely mitigate all the risks faced by a biotechnology Company.

Ultimate responsibility for risk oversight and risk management has been delegated to senior management, with the full Board overseeing the procedure.

Calzada's policy for risk management is available at www.calzada.com.au in the Corporate Governance Section.

The Chief Financial Officer has given a declaration to the Board regarding the Company's Annual Financial Report

RECOMMENDATION 7.3

The Chief Financial Officer has given a declaration to the Board concerning the Company's Annual Financial Report required under section 295A of the *Corporations Act 2001*.

Principle 8: Encourage enhanced performance
Calzada's Remuneration Committee

RECOMMENDATION 8.1

The Company does not have an established Remuneration Committee due to the small size of the business. Should the business increase in size and complexity then the re-establishment of a Remuneration Committee will be considered.

The Board is responsible for determining, recommending and reviewing compensation arrangements for the Directors themselves, the Chairman and Senior Executives consistent with ASX Principle 8.

A summary of the remuneration policy for Directors and Senior Executives is set out in the Remuneration Report which forms part of the Directors Report. The Remuneration Report includes details of the remuneration of Directors and key management executives of the Company and the Group.

Calzada's policies are available on the internet

The following policies and statements can be downloaded from the Corporate Governance section of the Company's website www.calzada.com.au:

- Annual Corporate Governance Statement
- Audit Committee Charter
- Board Charter
- Code of Conduct
- Communications Policy
- Market Disclosure Protocol
- Performance Evaluation Process for Directors and Executives

- Gender Diversity Policy
- Risk Management Policy
- Share Trading Policy

REMUNERATION REPORT

Remuneration Report (Audited)

This report outlines compensation arrangements in place for the Key Management Personnel of Calzada, and explains how these arrangements are linked to Company performance.

Key Management Personnel

The Key Management Personnel of Calzada are Directors and Senior Managers of the Group. The following persons had the authority and responsibility for planning, directing and controlling the activities of the Company and the Group, directly or indirectly, during the financial year:

NON-EXECUTIVE DIRECTORS

- Mr David Williams ï *Non-executive Chairman (appointed as Non-executive Director on 28 February 2014 and Non-executive Chairman on 13 March 2014).*
- Mr David Franklyn ï *Non-executive Chairman (appointed 16 April 2009) resigned 15 November 2013.*
- Mr Bruce Rathie ï *Non-executive Director (appointed 18 February 2010).*
- Dr David McQuillan – *Non-executive Director (appointed 6 August 2012).*
- Dr Roger Aston – *Non-executive Director (appointed as Non-executive Chairman on 15 November 2013 and Non-executive Director on 13 March 2014).*
- Mr Max Johnston – *Non-executive Director (appointed 13 May 2014).*
- Mr Philip Powell – *Non-executive Director (appointed 13 May 2014).*

SENIOR MANAGERS

- Mr David Kenley ï *Chief Executive Officer of Metabolic (appointed 18 February 2010).*
- Mr Laurent Fossaert ï *Chief Executive Officer PolyNovo (appointed CEO on 18 February 2010).*
- Mr Chris Mews ï *Chief Financial Officer/Company Secretary.*

Calzadaøs compensation policy for Key Management Personnel is designed to provide competitive and appropriate rewards that are transparent and fully aligned to shareholder interests. In accordance with corporate governance best practice, the Company has structured its compensation policy for Non-executive Directors distinctly from its policy for Senior Managers.

Compensation Policy – Non-executive Directors

The Board determines the compensation of Non-executive Directors based on market practice, director duties and accountability. The Companyøs compensation policy is designed to attract and retain competent and suitably qualified Non-executive Directors, and the structure of their compensation endeavours to ensure that Directorsô interests are aligned with the interests of shareholders. Non-executive Directors are paid a set fee plus statutory superannuation where appropriate and are reimbursed for out-of-pocket expenses incurred as a result of their directorship or any special duties. Non-executive Directors are encouraged to own shares in Calzada. At the Extraordinary General Meeting held on 1 July 2014 Shareholders approved the issue of 10,000,000 Director options to Mr David Williams.

Non-executive Directorsô fees are determined within an aggregate Directorsô fee pool limit, which is approved by shareholders. Total Non-executive Directorsôfees including superannuation paid during the 30 June 2014 year amounted to $687,078 excluding equity plans. This excludes fees paid to Key Management Personnel related parties. The fees paid to Calzadaǫs Non-executive Directors are considered within the average range for similar sized companies in the biotechnology industry, and these amounts are reviewed periodically. The Board has a fee pool for Non-executive Directors of $300,000.

Compensation – Senior Managers (including Executive Directors)

Calzadaǫs compensation policy for Senior Managers is set by the Board and is designed to link performance and retention strategies to ensure:

- the balance between fixed and variable (performance) components for each position is appropriate in light of internal and external factors:
- the set individual objectives will result in sustainable beneficial outcomes:
- that all performance compensation components are appropriately linked to measurable personal, business unit or Company performance: and
- that total compensation (that is, the sum of fixed and variable components) for each Senior Manager is fair, reasonable and market competitive.

Generally, there are three components of Senior Management compensation provided, as follows:

1. fixed annual compensation comprising salary and benefits, superannuation and non-monetary benefits:
2. short-term performance incentive, through cash bonuses: and
3. medium and long-term incentive, through participation in the Calzada Employee Share Option Plan (ñthe Planò).

The proportion of total compensation that is subject to performance conditions, provided through short-term and long-term incentives vary in accordance with the following guidelines:

	Cash Bonus (Short-Term Incentive)	Performance Rights (Medium and Long-Term Incentive)
Chief Executive Officer	25%	30%
Senior Management	25%	20%
All other employees	15%	10%

A market review of the fees paid to all Directors and Senior Management was conducted in reference to market available data. It was concluded that remuneration was set within market rates.

Fixed Annual Compensation

Senior Managers are offered a market competitive base salary which reflects their competencies, job description as well as the size of the Group. Base salary was reviewed against market data for comparable positions. Adjustments to base salary are made based on significant role responsibility changes, pay relativities to market and relative performance in the role.

Short-Term Incentives (STIs)

Short-Term Incentives in the form of cash bonuses are reviewed annually based upon individual performance and achievement of objectives.

The individual objectives and key performance indicators are set by the Board in consultation with the Chairman. Individual performance hurdles and the achievement of corporate goals are assessed to determine any bonus payment. This assessment also takes into account how Senior Managers performed their role with regard to the Company's core values. The performance evaluation of the Chief Executive Officer of each business unit is conducted by the Board. All STIs achieved and entitled at 30 June 2014 have been included in the remuneration report under the relevant KMP or Director.

Medium and Long-Term Incentives

Calzada's medium and long-term incentive policy for Senior Management is focused on encouraging high-quality performance and long-term retention. Carefully designed and performance linked equity incentive plans are widely recognised as an effective way of providing incentives to Executives.

Options issued to Directors

At the Extraordinary General Meeting held on 1 July 2014 Shareholders approved the issue of 7,500,000 options at an exercise price of $0.09 and 2,500,000 options at an exercise price of $0.20 to Mr David Williams. These options each had a 3 year expiry period and 100% vested immediately.

Details of Compensation for Key Management Personnel

For the year ended 30 June 2014, details of the compensation for Key Management Personnel are set out in the table below.

Table A		Short-Term				Post Employment	Long-Term	Termination Benefits (including superannuation)	Share-based payments	Total	Short-Term and Long Term
Directors		**Cash Salary & Fees**	**Cash bonus**	**Con-sulting Fees**	**Non-monetary benefits**	**Super-annuation**	**Long Service Leave**		**Options & Performance Rights**		**% performance related**
Mr David Williams (Non-executive Chairman)[6]	**2014**	**23,750**	**-**	**-**	**-**	**2,197**	**-**	**-**	**480,000**	**505,947**	**95%**
	2013	-	-	-	-	-	-	-	-	-	**-**
Mr David Franklyn (Non-executive Chairman)[1]	**2014**	**28,125**	**-**	**-**	**-**	**2,602**	**-**	**-**	**-**	**30,727**	**-**
	2013	75,000	**-**	**-**	**-**	6,750	**-**	**-**	8,650	90,400	**10%**
Mr Bruce Rathie (Non-executive Director)	**2014**	**45,000**	-	-	**-**	**4,162**	**-**	**-**		**49,162**	**-**
	2013	45,000	-	-	-	4,050	-	-	8,650	57,700	**15%**
Dr David McQuillan (Non-executive Director)[5]	**2014**	**45,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**45,000**	**-**
	2013	41,250	-	-	-	-	-	-	8,650	49,900	**17%**
Dr Roger Aston (Non-executive Director)[3]	**2014**	**39,134**	**-**	**-**	**-**	**3,620**	**-**	**-**	**-**	**42,754**	**-**
	2013	-	-	-	-	-	-	-	-	-	**-**
Mr Max Johnston (Non-executive Director)[7]	**2014**	**6,173**	**-**	**-**	**-**	**571**	**-**	**-**	**-**	**6,744**	**-**
	2013	-	-	-	-	-	-	-	-	-	**-**
Mr Philip Powell (Non-executive Director)[8]	**2014**	**6,173**	**-**	**-**	**-**	**571**	**-**	**-**	**-**	**6,744**	**-**
	2013	-	-	-	-	-	-	-	-	-	**-**
Dr John Chiplin (Non-executive Director)[2]	**2014**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2013	14,889	-	-	-	-	-	-	-	14,889	**-**
Sub total compensation for Directors	**2014**	**193,355**	**-**	**-**	**-**	**13,723**	**-**	**-**	**480,000**	**687,078**	**70%**
	2013	176,139	**-**	-	**-**	10,800	**-**	**-**	25,950	212,889	12%

		Short-Term				Post Employment	Long-Term	Termination Benefits (including superannuation)	Share-based payments	Total	Short-Term and Long Term
		Cash Salary & Fees	Cash bonus	Con-sulting Fees	Non-monetary benefits	Super-annuation	Long Service Leave		Options & Performance Rights		% performance related
Other Key Management Personnel											
Mr David Kenley (Chief Executive Officer ï Metabolic Pharmaceuticals Pty Ltd)[4]	**2014**	**-**	**-**	**237,455**	**-**	**-**	**-**	**-**	**-**	**237,455**	**-**
	2013	-	-	219,839	-	-	-	-	9,024	228,863	4%
Mr Laurent Fossaert (Chief Executive Officer ï PolyNovo Biomaterials Pty Ltd)	**2014**	**235,000**	**-**	**-**	**-**	**21,737**	**3,914**	**-**	**-**	**260,651**	**-**
	2013	235,000	13,125	-	-	22,331	3,914	-	2,200	276,570	6%
Mr Chris Mews (CFO/Company Secretary)	**2014**	**181,125**	**-**	**-**	**-**	**16,754**	**3,016**	**-**	**-**	**200,895**	**-**
	2013	181,125	22,000	-	-	18,281	3,139	-	2,138	226,683	11%
Sub total compensation for Other Key Management Personnel	**2014**	**416,125**	**-**	**237,455**	**-**	**38,491**	**6,930**	**-**	**-**	**699,001**	**-**
	2013	416,125	35,125	219,839	-	40,612	7,053	-	13,362	732,116	7%
Total compensation for all Key Management Personnel	**2014**	**609,480**	**-**	**237,455**	**-**	**52,214**	**6,930**	**-**	**480,000**	**1,386,079**	
	2013	592,264	35,125	219,839	-	51,412	7,053	-	39,312	945,005	

1 Mr David Franklyn was appointed Chairman and Non-executive Director on 16 April 2009 and resigned on 15 November 2013.

2 Dr John Chiplin was appointed as Non-executive Director on 18 October 2010 and resigned as a Director on 14 November 2012.

3 Dr Roger Aston was appointed Chairman and Non-executive Director on 15th November 2013. Dr Aston resigned as Chairman on 13 March 2014 however remained a Non-executive Director of the Company.

4 Mr Kenleyôs services as CEO of Metabolic Pharmaceuticals Pty Ltd are contracted through a services agreement between Calzada and Lateral Innovations Pty Ltd.

5 Dr David McQuillan was appointed as Non-executive Director on 6 August 2012 and Joint Acting Managing Director on 15 July 2014.

6 Mr David Williams was appointed as Non-executive Director on 28 February 2014 and Non-executive Chairman on 13 March 2014.

7 Mr Max Johnston was appointed as Non-executive Director on 13 May 2014.

8 Mr Philip Powell was appointed as Non-executive Director on 13 May 2014 and Acting Joint Managing Director on 15 July 2014.

OPTION AND PERFORMANCE RIGHTS HOLDINGS OF KEY MANAGEMENT PERSONNEL

(i) Option holdings of Key Management Personnel are listed in the following table:

30 June 2014	Balance at beginning of year	Granted as compen-sation	Options exercised	Net change other	Balance at end of year	Total vested at end of year	Total exer-cisable at end of year	Total Not exer-cisable at end of year	Total vested during year
Directors									
Mr David Williams	-	10,000,000	-	-	10,000,000	10,000,000	-	-	10,000,000
Mr David Franklyn	500,000	-	-	-	500,000	-	500,000	-	-
Mr Bruce Rathie	500,000	-	-	-	500,000	-	500,000	-	-
Dr David McQuillan	500,000	-	-	-	500,000	-	500,000	-	-
Other Key Management Personnel									
Mr Laurent Fossaert	3,200,000	-	3,200,000	-	-	-	-	-	-
Mr David Kenley[1]	4,622,222	-	4,622,222	-	-	-	-	-	-
Mr Chris Mews[1]	1,355,556	-	1,355,556	-	-	-	-	-	-
Total	**10,677,778**	**10,000,000**	**9,177,778**	**-**	**11,500,000**	**10,000,000**	**1,500,000**	**-**	**10,000,000**

[1]Upon Dr Stewart Washer© departure from the group 3,200,000 unvested options were forfeited. The remaining 3,200,000 of Dr Washers options which had already vested were sold to Mr David Kenley (1,422,222), Mr Chris Mews (355,556) and the remaining to an independent third party. The sale was on commercial terms.

30 June 2013	Balance at beginning of year	Granted as compen-sation	Options exercised	Net change other	Balance at end of year	Total vested at end of year	Total exer-cisable at end of year	Total Not exer-cisable at end of year	Total vested during year
Directors									
Mr David Franklyn	-	500,000	-	-	500,000	500,000	500,000	-	500,000
Mr Bruce Rathie	-	500,000			500,000	500,000	500,000	-	500,000
Dr David McQuillan	-	500,000			500,000	500,000	500,000	-	500,000
Other Key Management Personnel									
Mr Laurent Fossaert	3,200,000	-	-	-	3,200,000	3,200,000	3,200,000	-	1,066,667
Mr David Kenley[1]	4,622,222	-	-	-	4,622,222	4,622,222	4,622,222	-	1,066,667
Mr Chris Mews[1]	1,355,556	-	-	-	1,355,556	1,355,556	1,355,556	-	333,333
Total	**9,177,778**	**1,500,000**	**-**	**-**	**10,677,778**	**10,677,778**	**10,677,778**	**-**	**3,966,667**

[1]Upon Dr Stewart Washer© departure from the group 3,200,000 unvested options were forfeited. The remaining 3,200,000 of Dr Washers options which had already vested were sold to Mr David Kenley (1,422,222), Mr Chris Mews (355,556) and the remaining to an independent third party. The sale was on commercial terms.

(ii) Performance Rights holdings of Key Management Personnel

No performance rights were granted to Key Management Personnel for the year ending 30 June 2014 or 30 June 2013. There are no performance rights on issue as at 30 June 2014 (2013: Nil).

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

Details of the movements in the number of ordinary shares in Calzada Limited held during the financial year by each Director and other Key Management Personnel, including their personally-related entities, are set out below:

Shares held in Calzada Limited

		Balance at beginning of year	Granted as compen-sation	On exercise of options or Performance Rights	Net change other	Balance at end of year
Directors						
Mr. David Williams [(a)]	**2014** 2013	**-** -	- -	- -	**190,000** -	**190,000** -
Mr. David Franklyn [(b)]	**2014** 2013	**899,280** -	- -	- -	**230,770** 899,280	**1,130,050** 899,280
Mr Bruce Rathie [(c)]	**2014** 2013	**1,000,000** 1,000,000	- -	- -	**230,770** -	**1,230,770** 1,000,000
Dr David McQuillan	**2014** 2013	**-** -	- -	- -	**-** -	**-** -
Dr Roger Aston	**2014** 2013	**-** -	- -	- -	**-** -	**-** -
Mr Max Johnston	**2014** 2013	**-** -	- -	- -	**-** -	**-** -
Mr Philip Powell [(g)]	**2014** 2013	**-** -	- -	- -	**100,000** -	**100,000** -
Dr John Chiplin	**2014** 2013	**-** -	- -	- -	**-** -	**-** -
Other Key Management Personnel						
Mr. David Kenley [(e)]	**2014** 2013	**24,989,475** 23,336,734	- -	**4,622,222** -	**763,080** 1,652,741	**30,374,777** 24,989,475
Mr Chris Mews [(d)]	**2014** 2013	**152,344** 152,344	- -	**1,355,556** -	**153,847** -	**1,661,747** 152,344
Mr Laurent Fossaert [(f)]	**2014** 2013	**5,494,774** 5,170,274	- -	**3,200,000** -	**555,040** 324,500	**9,249,814** 5,494,774
Total	**2014** 2013	**32,535,873** 29,659,352	- -	**9,177,778** -	**2,223,507** 2,876,521	**43,937,158** 32,535,873

Notes:

(a), (b) (c) (d) (e) (f) and (f) shares held indirectly included in balance at 30 June 2014 - (a) 190,000 (b) 1,130,050 (c) 1,230,770 (d) 306,191 (e) 21,568,711 (f) 3,295,480 and (g)100,000.

Fair Value of Share-Based Compensation

(A) FAIR VALUE OF OPTIONS

The fair value of options included in compensation Table A were determined using a binomial approximation model. This model takes into account, as at grant date, the exercise price and expected life of the option, the vesting criteria, the current price of the underlying share and its expected volatility, expected dividends and the risk-free interest rate for the expected life of the option. These options were issued pursuant to the Calzada Employee Share Option Plan and have an expiry date between 12 and 36 months from grant, generally with staggered vesting terms based on anniversary periods. The option-pricing model values each of these vesting portions separately. Accordingly the amortised share-based compensation disclosed in Table A includes the apportioned value of the options during the year. A breakdown of the fair value of each grant of option included in Key Management Personnel share-based compensation is set out in Table C.

Table A provides the following details:

a. the pricing model assumptions used in calculating the fair value of each option:
b. the fair value of each option included in the compensation of each of the Key Management Personnel for the year ended 30 June 2014: and
c. the date when options may be exercised, subject to conditions.

Table A 2014 Financial Year		**Options Granted on 15 December 2010**	**Options Granted on 15 December 2010**	**Options Granted on 29 April 2011**	**Options Granted on 29 April 2011**	**Options Granted on 29 April 2011**	**Options Granted on 20 November 2012**	**Options Granted on 19 May 2014**	**Options Granted on 19 May 2014**	**TOTAL**
Exercise Price		$0.04	$0.06	$0.04	$0.06	$0.085	$0.11	$0.09	$0.20	
Risk-free interest rate		6.06%	6.06%	6.16%	6.16%	6.16%	2.70%	2.80%	2.80%	
Volatility		80%	80%	60%	60%	60%	90%	75%	75%	
Expiry Date:		01/12/2013	01/12/ 2013	01/12/ 2013	01/12/ 2013	01/042014	20/11/2015	030/7/2017	03/07/2017	
Dividend yield		-	-	-	-	-	-	-	-	
Average Fair Value per option (cents)		0.87	0.61	3.0	2.1	1.4	1.73	5.3	3.3	
NAME	Number and value of Options for the year ended 30 June 2014									
Mr David Williams	Number of options granted	-	-	-	-	-	-	7,500,000	2,500,000	10,000,000
	Value for year ended 30 June 2014	-	-	-	-	-	-	397,500	82,500	480,000
Mr David Franklyn	Number of options granted	-	-	-	-	-	-	-	-	-
	Value for year ended 30 June 2014	-	-	-	-	-	-	-	-	-
Mr Bruce Rathie	Number of options granted	-	-	-	-	-	-	-	-	-
	Value for year ended 30 June 2014	-	-	-	-	-	-	-	-	-
Dr David McQuillan	Number of options granted	-	-	-	-	-	-	-	-	-
	Value for year ended 30 June 2014	-	-	-	-	-	-	-	-	-
Mr David Kenley	Number of options granted	-	-	-	-	-	-	-	-	-
	Value for year ended 30 June 2014	-	-	-	-	-	-	-	-	-
Mr Laurent Fossaert	Number of options granted	-	-	-	-	-	-	-	-	-
	Value for year ended 30 June 2014	-	-	-	-	-	-	-	-	-
Mr Chris Mews	Number of options granted	-	-	-	-	-	-	-	-	-
	Value for year ended 30 June 2014	-	-	-	-	-	-	-	-	-
VESTING PROPORTIONS		33% - 15.12.10	33% - 15.12.10	50% - 01.02.12	50% - 01.02.12	33% - 29.04.11	100% - 20.11.12	100% - 19.05.14	100% - 19.05.14	
		33% - 15.12.11	33% - 15.12.11	50% - 01.02.13	50% - 01.02.13	33% - 01.04.12	-	-	-	
		34% - 15.12.12	34% - 15.12.12	-	-	34% - 01.04.13	-	-	-	

Table B provides the following details:

a. the pricing model assumptions used in calculating the fair value of each option:
b. the fair value of each option included in the compensation of each of the Key Management Personnel for the year ended 30 June 2013: and
c. the date when options may be exercised, subject to conditions.

Table B 2013 Financial Year		**Options Granted on 15 December 2010**	**Options Granted on 15 December 2010**	**Options Granted on 29 April 2011**	**Options Granted on 29 April 2011**	**Options Granted on 29 April 2011**	**Options Granted on 20 November 2012**	**TOTAL**
Exercise Price		$0.04	$0.06	$0.04	$0.06	$0.085	$0.11	
Risk-free interest rate		6.06%	6.06%	6.16%	6.16%	6.16%	2.70%	
Volatility		80%	80%	60%	60%	60%	90%	
Expiry Date:		1 Dec 2013	1 Dec 2013	1 Dec 2013	1 Dec 2013	1 Apr 2014	20 Nov 2015	
Dividend yield		-	-	-	-	-	-	
Average Fair Value per option (cents)		0.87	0.61	3.0	2.1	1.4	1.73	
NAME	Number and value of Options for the year ended 30 June 2013							
Mr David Franklyn	Number of options granted	-	-	-	-	-	500,000	500,000
	Value for year ended 30 June 2013	-	-	-	-	-	$8,650	$8,650
Mr Bruce Rathie	Number of options granted	-	-	-	-	-	500,000	500,000
	Value for year ended 30 June 2013	-	-	-	-	-	$8,650	$8,650
Dr David McQuillan	Number of options granted	-	-	-	-	-	500,000	500,000
	Value for year ended 30 June 2013	-	-	-	-	-	$8,650	$8,650
Mr David Kenley	Number of options granted	-	-	-	-	-	-	-
	Value for year ended 30 June 2013	$420	$314	$4,885	$3,405	-	-	$9,024
Mr Laurent Fossaert	Number of options granted	-	-	-	-	-	-	-
	Value for year ended 30 June 2013	$1,259	$941	-	-	-	-	$2,200
Mr Chris Mews	Number of options granted	-	-	-	-	-	-	-
	Value for year ended 30 June 2013	-	-	-	-	$2,138	-	$2,138
VESTING PROPORTIONS		33% - 15.12.10	33% - 15.12.10	50% - 01.02.12	50% - 01.02.12	33% - 29.04.11	100% - 20.11.12	
		33% - 15.12.11	33% - 15.12.11	50% - 01.02.13	50% - 01.02.13	33% - 01.04.12		
		34% - 15.12.12	34% - 15.12.12	-	-	34% - 01.04.13		

Options and Performance Rights granted as part of compensation

During the year ended 30 June 2014 no options (2013: 2,350,000) were granted, no options were cancelled (2013: nil), and no options were forfeited (2013: nil).

Table C, D and E provides a breakdown of each share-based payment included in the compensation of Key Management Personnel for the year ended 30 June 2014 and 30 June 2013.

Table C 2014 Financial Year	**Grant date**	**Grant number**	**Average Fair Value per option at grant date**	**Fair Value of options granted during the year**	**Value of options forfeited/ forfeited during the year**	**Value of options exercised during the year**	**Number of shares issued upon exercise of options**	**Value of shares received upon exercise of options**	**Value of options yet to be expensed**	**Fair Value of options included in remuneration during the year**	**% compensation consisting of options during the year**
Mr David Franklyn											
• Options	20 November 2012	500,000	$0.0173	-	-	-	-	-	-	-	-
Mr Bruce Rathie											
• Options	20 November 2012	500,000	$0.0173	-	-	-	-	-	-	-	-
Dr David McQuillan											
• Options	20 November 2012	500,000	$0.0173	-	-	-	-	-	-	-	-
Mr David Kenley											
• Options	15 December 2010	1,066,667	$0.0074	-	-	$7,893	1,066,667	$53,333	-	-	-
• Options	29 April 2011	2,133,333	$0.0255	-	-	$54,400	2,133,333	$106,667	-	-	-
Mr Laurent Fossaert											
• Options	15 December 2010	3,200,000	$0.0074	-	-	$23,680	3,200,000	$160,000	-	-	-
Mr Chris Mews											
• Options	29 April 2011	1,000,000	$0.014	-	-	$14,000	1,000,000	$85,000	-	-	-
TOTAL		**8,900,000**		**-**	**-**	**$99,973**	**7,400,000**	**$405,000**	**-**	**-**	

Table D 2013 Financial Year	Grant date	Grant number	Average Fair Value per option at grant date	Fair Value of options granted during the year	Value of options forfeited/ forfeited during the year	Value of options exercise d during the year	Value of options yet to be expensed	Number of shares issued upon exercise of options	Value of shares received upon exercise of options	Fair Value of options included in remuneratio n during the year	% compensation consisting of options during the year
Mr David Franklyn											
• Options	20 November 2012	500,000	$0.0173	$8,650	-	-	-	-	-	$8,650	10%
Mr Bruce Rathie											
• Options	20 November 2012	500,000	$0.0173	$8,650	-	-	-	-	-	$8,650	15%
Dr David McQuillan											
• Options	20 November 2012	500,000	$0.0173	$8,650	-	-	-	-	-	$8,650	17%
Mr David Kenley											
• Options	15 December 2010	1,066,667	$0.0074	-	-	-	-	-	-	$734	-
• Options	29 April 2011	2,133,333	$0.0255	-	-	-	-	-	-	$8,290	4%
Mr Laurent Fossaert											
• Options	15 December 2010	3,200,000	$0.0074	-	-	-	-	-	-	$2,200	1%
Mr Chris Mews											
• Options	29 April 2011	1,000,000	$0.014	-	-	-	-	-	-	$2,138	1%
TOTAL		**8,900,000**		**$25,950**	**-**	**-**	**-**	**-**	**-**	**$39,312**	

Options granted, vested and exercised during the year ended 30 June 2014

Table E		Options		
		Number of Options granted during the year	Number of Options vested during the year	Number of Options exercised during the year
Directors and Key Management Personnel				
Mr David Williams	2014	10,000,000	10,000,000	–
	2013	–	–	–
Mr David Franklyn	2014	–	–	–
	2013	500,000	500,000	–
Mr Bruce Rathie	2014	–	–	–
	2013	500,000	500,000	–
Dr David McQuillan	2014	–	–	–
	2013	500,000	500,000	–
Dr Roger Aston	2014	–	–	–
	2013	–	–	–
Mr Max Johnston	2014	–	–	–
	2013	–	–	–
Mr Philip Powell	2014	–	–	–
	2013	–	–	–
Mr David Kenley	2014	–	–	4,622,222
	2013	–	1,066,666	–
Mr Laurent Fossaert	2014	–	–	3,200,000
	2013	–	1,066,666	–
Mr Chris Mews	2014	–	–	1,355,556
	2013	–	333,333	–

Group Performance

Calzada has designed its compensation policies to ensure significant linkage between rewards and specific achievements that are intended to improve shareholder wealth. In assessing the link between Group performance and compensation policy, it must be recognised that biotechnology companies generally do not make a profit until a drug or device is licensed or commercialised, either of which takes a number of years.

Furthermore, the biotechnology sector as a whole is highly volatile, significantly driven by market sentiment and inherently high risk. Therefore, the direct correlation of compensation policy and key financial performance measures such as Total Shareholder Return (TSR), Net Earnings Per Share or Company Earnings, in the view of the Board, are inappropriate. As an alternative, key milestones are a more meaningful measure of performance to correlate levels of compensation. These milestones are discrete achievements that can be used to evaluate Calzada's progress towards commercialising its various projects.

Calzada's annual expenditure is predominantly impacted by research and development expenses. The Group has not made a profit and therefore no dividends have been declared, nor has there been a return of capital. The Group's performance is based on its key milestones, such as progress towards clinical trials, securing funding and licensing deals. Such milestones are directly linked to performance conditions set within the short-term incentives that form a significant proportion of Senior Management compensation. The Board continues to review the Group's compensation policy to ensure competitive and appropriate rewards that endeavor to result in greater shareholder wealth.

Board Performance

Evaluating Board performance is an important element of the Boardõs monitoring role, especially with regard to the long-term growth of the Company and shareholder wealth. The Board conducts an ongoing self-evaluation process to determine whether the Board and its Committees are functioning effectively.

Service Contracts

CHIEF EXECUTIVE OFFICER ï POLYNOVO

Mr Laurent Fossaert was appointed Chief Executive Officer of PolyNovo on 18 February 2010. On 15 July 2014 Calzada announced Significant Organisational Structure Initiatives. As a result of these initiatives Laurent Fossaert will be leaving the business over time and assisting with the transition to the new structure until his departure.

His employment terms up until the date of the Organisational changes are as follows:

- Salary of $235,000 per annum:
- Superannuation of 9.25%:
- Termination payment of one yearõs salary: and
- Up to 25% of base salary as a bonus each year if he achieved set KPIs.

CHIEF EXECUTIVE OFFICER ï METABOLIC

Mr David Kenley was appointed Chief Executive Officer of Metabolic on 18 February 2010.

Terms of his contract are as follows:

- Salary of $237,455 per annum:
- Superannuation is included in salary:
- Notice period of 6 months: and
- Up to 25% of base salary as a bonus each year if he achieved set KPIs.

COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

Mr Chris Mews was appointed Company Secretary on 16th April 2009 and CFO on 1 September 2009, his current employment terms are as follows:

- Compensation set at $181,125 per year:
- Superannuation of 9.25%:
- Termination requires six months written notice: and
- Up to 25% performance based cash bonuses at the discretion of the Board.

Details of the qualifications and experience of the Company Secretary/Chief Financial Officer are set out in the Board of Directors section in this Directorsô Report.

Other Information

LOANS TO DIRECTORS AND EXECUTIVES

No loans have been made to Directors of Calzada or to any of the other Key Management Personnel, including their personally related entities.

This Directorsô Report, incorporating the Corporate Governance Statement and Remuneration Report, has been signed in accordance with a Resolution of the Directors made on 25 August 2014.

Mr David Williams

Chairman

25 August 2014

CALZADA LIMITED

(A.C.N. 083 866 862)

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2014

In accordance with a resolution of the Directors of Calzada Limited, I state that:

1. In the opinion of the Directors:

   (a) The financial report and the Remuneration Report included in the Directorsô report, of the Company and of the Group are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Company and the Groupøs financial position as at 30 June 2014 and of their performance for the year ended on that date:

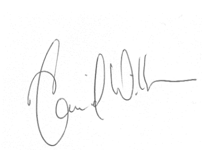
   (ii) complying with Australian Accounting Standards and Corporations Regulations 2001: and

   (iii) complying with International Financial Reporting Standards as issued by the International Accounting Standards Board.

   (b) There are reasonable grounds to believe that the Company and the Group will be able to pay their debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to directors in accordance with section 295A of the *Corporations Act 2001* for the financial period ended 30 June 2014.

On behalf of the Board,



Mr David Williams, Chairman

25 August 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	30 June 2014 $	30 June 2013 $
Finance revenue	4(A)	184,381	165,880
Government grant income	4(B)	-	39,011
Licence revenue		52,375	-
Sale of materials		3,000	53,886
Other Income		24,216	12,544
Royalty revenue		4,821	7,124
Total revenue		268,793	278,445
Other income			
Research and development tax benefit	4(G)	959,232	1,574,068
Operating leases	4(E)	(312,271)	(311,819)
Employee related expenses	4(C)	(1,570,477)	(1,135,607)
Research and development expenses		(1,091,240)	(847,473)
Depreciation and amortisation expense	4(D)	(215,177)	(216,835)
Corporate administrative and overhead expenses	4(F)	(980,835)	(910,452)
Net loss before income tax		(2,941,975)	(1,569,673)
Income tax benefit	5	-	72,118
Net loss for the period		(2,941,975)	(1,497,555)
Other comprehensive income that may be reclassified subsequently to profit and loss			
Net fair value gains/(loss) on available for sale assets	10	16,250	60,000
Total comprehensive income/(loss) for the period		(2,925,725)	(1,437,555)
Loss for the period is attributable to:			
Non controlling interest	16	(5,596)	(5,132)
Owners of the parent		(2,936,379)	(1,492,423)
		(2,941,975)	(1,497,555)
Total comprehensive income/(loss) for the period is attributable to:			
Non controlling interest	16	(5,596)	(5,132)
Owners of the parent		(2,920,129)	(1,432,423)
		(2,925,725)	(1,437,555)
Basic loss per share (cents per share)	6	(0.71) cents	(0.43) cents
Diluted loss per share (cents per share)	6	(0.71) cents	(0.43) cents

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	30 June 2014 $	30 June 2013 $
CURRENT ASSETS			
Cash and cash equivalents	7	4,666,360	2,783,667
Receivables	8	996,823	831,467
Prepayments		11,539	-
Other financial asset	22	60,000	1,160,000
Total current assets		5,734,722	4,775,134
NON-CURRENT ASSETS			
Available-for-sale financial assets	10	102,500	86,250
Plant and equipment	11	949,710	1,088,567
Intangible assets	24	2,519,788	2,519,788
Other assets	9	106,998	148,949
Total non-current assets		3,678,996	3,843,554
Total assets		9,413,718	8,618,688
CURRENT LIABILITIES			
Trade and other payables	13	375,762	448,247
Provisions	14(A)	118,940	86,420
Total Current Liabilities		494,702	534,667
NON-CURRENT LIABILITIES			
Provisions	14(B)	24,661	38,563
Deferred rent liability		226,344	227,578
Total non-current liabilities		251,005	266,141
Total liabilities		745,707	800,808
Net assets		8,668,011	7,817,880
EQUITY			
Contributed equity	15(A)	94,870,080	91,581,364
Reserves	15(B)	1,772,981	1,269,591
Retained earnings/(Accumulated losses)	15(C)	(87,924,755)	(84,988,376)
Parent interests		**8,718,306**	**7,862,579**
Non controlling interest	16	**(50,295)**	**(44,699)**
Total equity		8,668,011	7,817,880

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Contributed equity $	Gains/ (Losses) on available-for-sale financial assets $	Other reserves $	Acquisition of non controlling interest Reserve $	Retained earnings $	Owners of the parent	Non controlling interest $	Total $
As at 30 June 2012	**90,358,605**	**27,500**	**1,615,628**	**(477,596)**	**(83,495,953)**	**8,028,184**	**(39,567)**	**7,988,617**
- Loss for the period	-	-	-	-	(1,492,423)	(1,492,423)	(5,132)	**(1,497,555)**
- Other comprehensive income	-	60,000	-	-	-	60,000	**-**	**60,000**
- Total comprehensive income for the period	-	60,000	-	-	(1,492,423)	(1,432,423)	(5,132)	**(1,437,555)**
- Share based payments	-	-	44,059	-	-	44,059	**-**	**44,059**
- Net proceeds from issue of shares	1,222,759	-	-	-	-	1,222,759	**-**	**1,222,759**
As at 30 June 2013	**91,581,364**	**87,500**	**1,659,687**	**(477,596)**	**(84,988,376)**	**7,862,579**	**(44,699)**	**7,817,880**
- Loss for the period	-	-	-	-	(2,925,725)	(2,936,379)	(5,596)	**(2,941,975)**
- Other comprehensive income	-	16,250	-	-	-	16,250	**-**	**16,250**
- Total comprehensive income for the period	-	16,250	-	-	(2,925,725)	(2,920,129)	(5,596)	**(2,925,725)**
- Share based payments	-	-	487,140	-	-	487,140	**-**	**487,140**
- Net proceeds from issue of shares	2,613,966	-	-	-	-	2,613,966	**-**	**2,613,966**
- Proceeds from exercise of options	674,750	-	-	-	-	674,750	**-**	**674,750**
As at 30 June 2014	**94,870,080**	**103,750**	**2,146,827**	**(477,596)**	**(87,914,101)**	**8,718,306**	**(50,295)**	**8,668,011**

The accompanying notes form part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2014

	Note	30 June 2014 $	30 June 2013 $
Payments to suppliers and employees		(3,538,977)	(3,232,857)
Receipt of government grants		-	50,723
Income from sale of materials		3,000	56,375
Receipts from research and development tax benefit		804,584	789,255
Receipts from licence revenue		52,375	-
Receipts from royalty revenue		-	10,586
Refund of rent deposit		66,168	-
Net cash outflows from operating activities	7	(2,612,850)	(2,325,918)
Interest received		183,147	178,638
Payments for plant and equipment		(76,320)	(13,830)
Term deposits now classified as cash and cash equivalents		1,100,000	700,000
Net cash inflows/(outflows) from investing activities		1,206,827	864,808
Proceeds from the issue of shares (net of costs)		2,613,966	1,236,800
Proceeds from exercise of options		674,750	-
Cash flows from financing activities		3,288,716	1,236,800
Net increase/(decrease) in cash and cash equivalents		1,882,693	(224,310)
Cash and cash equivalents at beginning of period		2,783,667	3,007,977
Cash and cash equivalents at end of period	7	4,666,360	2,783,667

The accompanying notes form part of these financial statements

1. Corporate Information

The financial report of Calzada Limited (the Company) and its controlled entities (the Group) for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 25 August 2014.

Calzada Limited, a for profit entity, is a Company limited by shares incorporated in Australia whose shares are publicly traded on ASX Limited (ASX code: CZD).

The Company operates predominantly in one industry and one geographical segment, those being the pharmaceutical and healthcare industry and Australia respectively. Relevant financial information is presented in the Statement of Financial Position and Statement of Comprehensive Income.

2. Summary of Significant Accounting Policies

(A) BASIS OF PREPARATION

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an historical cost basis, except for available-for-sale financial assets that have been measured at fair value.

The financial report is presented in Australian dollars.

The financial statements of the Group have been prepared on a going concern basis. The Groupœ operations are subject to major risks due primarily to the nature of research, development and commercialisation to be undertaken. These risks may materially impact the financial performance and position of the Group, including the value of recorded assets and the future value of the shares, options and performance rights issued. The going concern basis assumes that future capital raisings will be available to enable the Company to undertake the research, development and commercialisation of its projects and that the subsequent commercialisation of the developed products will be successful. The financial statements take no account of the consequences, if any, of the inability of the Company to obtain adequate funding nor of the effects of unsuccessful research, development and commercialisation of the Groupœ projects.

(B) STATEMENT OF COMPLIANCE

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2014. These are outlined in the table following.

(C) CHANGES IN ACCOUNTING POLICY, DISCLOSURES, STANDARDS AND INTEPRETATIONS

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2013.

- AASB 10 Consolidated Financial Statements
- AASB11 Joint Arrangements
- AASB 12 Disclosure of Interest in Other Entities
- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits
- AASB 127 Separate Financial Statements
- AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
- AASB2012-9 Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation
- AASB CF 2013-1 Amendments to the Australian Conceptual Framework

The above new and amended Australian Accounting Standards and AASB Interpretation did not have any material impact on the accounting policies, financial position or performance of the Group.

The Group has early adopted AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets as of 1 July 2013.

The following standards and interpretations have been issued by the AASB but are not yet effective for the period ended 30 June 2014.

					Application date for Group*
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entityǵs business model for managing the financial assets: (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: -The change attributable to changes in credit risk are presented in other comprehensive income (OCI) -The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.	1 January 2018	The Directors are in the process of considering the impact of this amendment however it is not expected to result in a material change to the manner in which the Groups financial result is determined.	1 July 2018

					Application date for Group*
AASB 2012-3	Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	The Directors are in the process of considering the impact of this amendment however it is not expected to result in a material change to the manner in which the Groups financial result is determined.	1 July 2014
AASB 2014-1 Part A -Annual Improvements 2011ï 2013 Cycle	Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2011ï 2013 Cycle	Annual Improvements to IFRSs 2011ï 2013 Cycle addresses the following items: AASB13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132. AASB40 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.	1 July 2014	The Directors are in the process of considering the impact of this amendment however it is not expected to result in a material change to the manner in which the Groups financial result is determined.	1 July 2014

					Application date for Group*
AASB 2014-1 Part A -Annual Improvements 2010ï 2012 Cycle	Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs 2010ï 2012 Cycle	AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010ï 2012 Cycle and Annual Improvements to IFRSs 2011ï 2013 Cycle. Annual Improvements to IFRSs 2010ï 2012 Cycle addresses the following items: ʒ AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ʒ AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137. ʒ AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets. ʒ AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.	1 July 2014	The Directors are in the process of considering the impact of this amendment however it is not expected to result in a material change to the manner in which the Groups financial result is determined.	1 July 2014
AASB 1031	Materiality	The revised AASB 1031 is an interim standard that cross-references to other Standards and the framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed. AASB 2014-1 Part C issued in June 2014 makes amendments to eight Australian Accounting Standards to delete their references to AASB 1031. The amendments are effective from 1 July 2014*.	1 January 2014	The Directors are in the process of considering the impact of this amendment however it is not expected to result in a material change to the manner in which the Groups financial result is determined.	1 July 2014

					Application date for Group*
Amendments to IAS 16 and IAS 38*****	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	The Directors are in the process of considering the impact of this amendment however it is not expected to result in a material change to the manner in which the Groups financial result is determined.	1 July 2016
IFRS 15 *****	Revenue from Contracts with Customers	In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenueð Barter Transactions Involving Advertising Services) The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation Early application of this standard is permitted.	1 January 2017	The Directors are in the process of considering the impact of this amendment however it is not expected to result in a material change to the manner in which the Groups financial result is determined.	1 July 2017

** Designates the beginning of the applicable reporting period unless otherwise stated.*

****** These IFRS amendments have not yet been adopted by the AASB.*

(C) BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2013. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

(D) BUSINESS COMBINATION

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of AASB 139, it is measured in accordance with the appropriate AASB. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

(E) INTANGIBLE ASSETS

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. The intangible assets carried by the Group, being Intellectual Property assets, are infinite lived and are subject to annual impairment testing (see note 2(F) for methodology). Following initial recognition, intangible assets are carried at cost less any impairment losses.

Internally generated intangible assets are not capitalised and expenditure is recognised in the Statement of Comprehensive Income (profit or loss) in the year in which the expenditure is incurred.

(F) IMPAIRMENT OF INTANGIBLE ASSETS

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

(G) SHARE-BASED PAYMENTS

Share-based payment transactions

The Company provides benefits to employees in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (‘equity-settled transactions’).

There was one plan in place that provided these benefits for the period:

(i) The Calzada Employee Share Option Plan.

Information relating to the Company’s share-based payment plans is set out in note 12 and the Remuneration Report section of the Directors’ Report.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value of the options granted under the Calzada Employee Share Option Plan is determined by using a binomial model.

The fair value of options is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes conditionally entitled to the option. At each reporting date, the number of options that are expected to vest is revisited. The employee benefit expense recognised each period takes into account the most recent estimate of the number of options that are expected to vest.

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted.

Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 12.

(H) PLANT AND EQUIPMENT

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Office equipment	3 to 10 years
Laboratory plant and equipment	3 to 13.33 years
Leasehold improvements	12 years

(I) PLANT AND EQUIPMENT IMPAIRMENT

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash generating unit to which the asset belongs, unless the assetꞌs value in use can be estimated to be close to fair value.

An impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income (profit and loss).

Derecognition and disposal

Plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of Comprehensive Income (profit and loss) in the period the item is derecognised.

(J) RESEARCH AND DEVELOPMENT COSTS

Research and patent costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available-for-use or sale. No development expenditure has been capitalised.

(K) INVESTMENTS

Available-for-sale investment

After initial recognition, investments which are classified as available-for-sale are measured at fair value. For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on balance date. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in Other Comprehensive Income (Equity) is included in the Statement of Comprehensive Income (profit and loss). Once impaired, in subsequent periods, any further decrease in the investment is recorded in the Statement of Comprehensive Income (profit and loss). Any increase in the fair value of the investment is recorded in Other Comprehensive Income (Equity).

(L) IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

If there is objective evidence that an available-for-sale investment is impaired, such as a decline in the market value that is significant or prolonged, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from Other Comprehensive Income (Equity) to the Statement of Comprehensive Income (profit and loss).

(M) CASH AND CASH EQUIVALENTS

Cash at bank and short-term deposits mature in three months or less and are stated at nominal value.

(N) EMPLOYEE LEAVE BENEFITS

Liabilities for wages, salaries and annual leave expected to be settled within 12 months of the reporting date and pro-rata long service leave for employees with over seven years of service, are recognised in current liabilities provisions in respect of employeesꞌ services up to the reporting date. Wages, salaries, annual leave and long service leave are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for pro-rata long service leave for employees with less than seven years of service are recognised in non-current liabilities provisions and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

(O) OPERATING LEASES

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

(P) REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

For interest revenue, the specific recognition criteria must be met before revenue is recognised is the control of the right to receive the interest payment.

Interest receivable, being interest accrued, and GST recoverable are recorded at amortised cost and due to the short-term nature of these receivables they equate to face value.

Sales of materials are recognised when they are shipped to suppliers.

(Q) GOVERNMENT GRANTS

Government grants are recognised at their fair value when the grant is received and all attaching conditions have been complied with.

Research and Development tax benefit revenue is recognised when there is reasonable assurance of receipt.

(R) TRADE AND OTHER PAYABLES

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of those goods and services. The amounts are unsecured and are normally settled on 30-day terms. Due to the short-term nature of these payables they equate to fair value.

(S) INCOME TAX

Deferred income tax is provided on all temporary differences at balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised. It is considered probable that taxable profits will be available, if a deferred tax asset can be offset against a deferred tax liability relating to the same tax authority.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Income taxes relating to items recognised directly in equity are recognised in Other Comprehensive Income (Equity) and not in the Statement of Comprehensive Income (profit and loss).

(T) SIGNIFICANT ACCOUNTING, ESTIMATES AND ASSUMPTIONS

DEFERRED TAX LIABILITY

The deferred tax liability (DTL) arising from the carrying value of PolyNovo intangible assets is offset by deferred tax assets (DTAǅs) recognised for unused tax losses where the continuity of ownership test would be passed and for temporary differences. Significant management judgement is required to determine the amount of the DTA which can be used to offset the impact of the DTL. Further details on taxes are disclosed in note 5.

SHARE BASED PAYMENTS

Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 12.

IMPAIRMENT OF INTANGIBLES

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount. The recoverable amount of the intangible asset has been determined by assigning a value to each current project in the pipeline using a probability adjusted net present value method. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are further explained in Note 24.

(U) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable: and
- receivables and payables are stated with the amount of GST (if any) included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis (i.e. including GST) and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed exclusive of the amount of GST recoverable from, or payable to, the taxation authority.

(V) EARNINGS PER SHARE (EPS)

Basic EPS is calculated as net profit/(loss) attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares.

Diluted EPS is calculated as net profit/(loss) attributable to members, adjusted for:

- costs of servicing equity (other than dividends):
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses:
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares: and
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

As the Group incurred a loss for the period under review and in the prior year comparison, potential ordinary shares, being options and performance rights to acquire ordinary shares, are considered non-dilutive and therefore not included in the diluted earnings per share calculation.

(W) CONTRIBUTED EQUITY

Ordinary shares are classified as equity and recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(X) FOREIGN CURRENCY TRANSLATION

Foreign currency items are translated to Australian currency on the following basis:

- Transactions are converted at exchange rates approximating those in effect at the date of the transaction: and
- Foreign currency monetary items that are outstanding at the reporting date are translated using the spot rate at the end of the financial year.

Exchange differences relating to monetary items are included in the Statement of Comprehensive Income (profit and loss).

(Y) COMPARATIVES

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(Z) SECURITY DEPOSITS

Security deposits are recorded at amortised cost in the Statement of Financial Position.

(AA) HELD-TO-MATURITY INVESTMENTS

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the Statement of Comprehensive Income (profit or loss) when the investments are derecognised or impaired, as well as through the amortisation process.

3. Segment Information

The chief operating decision maker is the Chairman in consultation with the Board.

(A) DESCRIPTION OF SEGMENTS

For management purposes reportable segments are as follows:

Corporate ï the corporate entity of the Group is responsible for all corporate expenses aside from the rent on the laboratory and premises located in Port Melbourne, which is the responsibility of PolyNovo.

PolyNovo Biomaterials Pty Ltd ï PolyNovo owns and develops a suite of state of the art biodegradable polymers that have potential applications across numerous medical fields.

Metabolic Pharmaceuticals Pty Ltd ï Metabolicōs major asset is the AOD9604 peptide which has potential applications in the treatment of obesity, bone, cartilage and muscle diseases and repair.

The Board monitor the operating results of the business segments separately for the purpose of making decisions about resource allocation. Segment performance is evaluated based on progressing technology within each business segment in accordance with budgeted expenditure, consistent with the presentation of the segment information below.

(B) GEOGRAPHICAL AREAS

The Group operates in only one geographical area.

2014	**Corporate $**	**PolyNovo Biomaterials Pty Ltd $**	**Metabolic Pharmaceuticals Pty Ltd[1] $**	**Intersegment Eliminations $**	**Consolidated Group $**
Sales of materials	-	3,000	-	-	3,000
Other revenues from externals	-	52,375	4,821	-	57,196
Interest revenue	181,676	2,705	-	-	184,381
Other revenue	-	24,216	-	-	24,216
Total segment revenue	**181,676**	**82,296**	**4,821**	**-**	**268,793**
Research and development tax benefit	-	691,193	268,039	-	959,232
Depreciation	(5,712)	(209,465)	-	-	(215,177)
Operating leases	-	(312,271)	-	-	(312,271)
Employee related expenses	(952,292)	(615,145)	-	-	(1,570,477)
Research and development	-	(500,928)	(590,312)	-	(1,091,240)
Finance and administration	(617,105)	(213,036)	(153,733)	-	(980,835)
Net loss for the period	**(1,393,433)**	**(1,077,356)**	**(471,185)**	**-**	**(2,941,975)**
Segment Assets	**16,926,267**	**4,602,839**	**5,098**	**(12,120,486)**	**9,413,718**
Segment Liabilities	**188,799**	**4,958,497**	**1,968,854**	**(6,370,443)**	**745,707**

[1]All transactions for Metabolic are incurred by Corporate. For the purposes of this disclosure all revenues and expenses that apply to the operations of Metabolic are separated.

2013	Corporate $	PolyNovo Biomaterials Pty Ltd $	Metabolic Pharmaceuticals Pty Ltd[1] $	Intersegment Eliminations $	Consolidated Group $
Sales of materials	-	53,886	-	-	53,886
Other revenues from externals	-	-	7,124	-	7,124
Government grant revenue	-	36,260	2,751	-	39,011
Interest revenue	162,886	2,994	-	-	165,880
Other revenue	-	12,544	-	-	12,544
Total segment revenue	**162,886**	**105,684**	**9,875**	**-**	**278,445**
Research and development tax benefit	-	909,134	664,934	-	1,574,068
Depreciation	(3,769)	(213,066)	-	-	(216,835)
Operating leases	-	(311,819)	-	-	(311,819)
Employee related expenses	(515,940)	(619,667)	-	-	(1,135,607)
Research and development	-	(326,706)	(520,767)	-	(847,473)
Finance and administration	(519,983)	(325,558)	(64,911)	-	(910,452)
Income tax (expense)/benefit	-	72,118	-	-	72,118
Net loss for the period	**(876,806)**	**(709,880)**	**89,131**	**-**	**(1,497,555)**
Segment Assets	**14,051,712**	**4,348,059**	**322,839**	**(10,103,922)**	**8,618,688**
Segment Liabilities	**303,545**	**3,623,197**	**1,224,532**	**(4,350,466)**	**800,808**

[1]All transactions for Metabolic are incurred by Corporate. For the purposes of this disclosure all revenues and expenses that apply to the operations of Metabolic are separated.

4. Revenues and Expenses

	30 June 2014 $	30 June 2013 $
(A) REVENUE		
Finance revenue	184,381	165,880
Details of finance revenue:		
Term deposit interest	164,774	159,099
Bank account interest	19,607	6,781
	184,381	165,880
(B) GOVERNMENT GRANT INCOME		
Government grants	-	39,011

GOVERNMENT GRANT INCOME

No Export Market Development Grant revenue (2013: $35,963) was received from the Federal Government during the period.

No Grant monies (2013: $3,048) were received in 2014 from the Victorian State Government.

The Group did not benefit directly from any other forms of Government assistance in 2014 and 2013.

(C) EMPLOYEE RELATED EXPENSES

	30 June 2014 $	30 June 2013 $
Wages and salaries	(780,179)	(819,077)
Superannuation	(91,479)	(81,408)
Share-based payment (expense)/credit (See Note 12)	(487,140)	(44,059)
Directorsôfees	(193,066)	(176,139)
Long service leave provision	(15,551)	(5,039)
Annual leave provision	(3,062)	(9,885)
	(1,570,477)	(1,135,607)

(D) DEPRECIATION AND AMORTISATION EXPENSE

Depreciation – office equipment	(17,663)	(20,279)
Depreciation – laboratory equipment	(78,310)	(85,951)
Depreciation – leasehold improvements	(119,204)	(110,605)
	(215,177)	(216,835)

(E) RENTAL EXPENSE RELATING TO OPERATING LEASES

Rental expense and outgoings – Laboratory & administration	(312,271)	(311,819)
	(312,271)	(311,819)

(F) OTHER ADMINISTRATIVE AND OVERHEAD EXPENSES

Insurances	(53,700)	(45,923)
Accounting and audit fees	(138,605)	(141,330)
Investor relations & share registry expenses	(151,506)	(106,304)
Legal fees	(177,929)	(74,625)
Consultants and contractors	(59,218)	(193,944)
Travel	(125,902)	(105,463)
Other	(273,975)	(242,863)
	(980,835)	(910,452)

(G) RESEARCH AND DEVELOPMENT TAX BENEFIT

Research and development tax benefit income of $959,232 (2013:$1,574,068) was recorded as income in the statement of comprehensive income and as a receivable in the statement of financial position.

The decrease in income is due to the recognition in 2013 of the Australian Government's research and development incentive for both 2012 and 2013, whereas this year's result only has a single year's incentive as income.

5. Income Tax

(A) INCOME TAX BENEFIT / (INCOME TAX EXPENSE)

	30 June 2014 $	30 June 2013 $
Current income tax		
Current income tax charge	-	-
Deferred income tax		
Relating to origination and reversal of temporary differences	-	72,117
Income tax benefit / (income tax expense)	-	72,117

Income Tax Recognised Directly In Equity

Deferred tax expense	-	-
Available for sale asset	-	-

Reconciliation Of Income Tax Expense To Prima Facie Tax Payable

Net loss before income tax expense	2,941,975	1,569,673
Prima facie tax calculated at 30% (2013: 30%)	(882,593)	(470,902)
Tax effect of amounts which are not included in accounting loss:		
Research and development	626,308	523,209
Non-assessable rental deposit	(7,265)	(3,764)
Non-assessable grant income	(287,770)	(472,221)
Tax effect of amounts which are not deductible:		
Share based payments	146,142	13,218
Other	660	957
	(404,518)	(409,503)
Current year tax losses not brought to account	434,433	417,449
Current year temporary differences not brought to account	(29,915)	64,172
Income tax benefit / (income tax expense)	-	72,118

(B) DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets	764,218	759,694
Deferred tax liabilities	(764,218)	(759,694)
Net deferred tax assets /(liabilities)	-	-

DEFERRED TAX BALANCES REFLECTS TEMPORARY DIFFERENCES ATTRIBUTABLE TO:

Amounts recognised in Profit and Loss		
Recognised tax losses	610,828	615,639
Recognised on temporary differences	153,390	144,054
Interest receivable	(8,281)	(3,757)
Amount recognised due to acquisition of PolyNovo	(755,936)	(755,936)
Net deferred tax assets /(liabilities)	-	-

Movement in temporary differences during the year:

Balance as of 1 July	-	(72,118)
Credit to profit and Loss	-	72,118
Charged to equity	-	-
Net deferred tax assets /(liabilities) as 30 June	-	-

(C) DEFERRED TAX ASSETS NOT BROUGHT TO ACCOUNT

	30 June 2014 $	**30 June 2013 $**
Unrecognised, unconfirmed tax losses for which no deferred tax asset has been recognised	81,922,928	80,334,455
Deductible temporary differences - no deferred tax asset has been recognised	256,919	213,904
	82,179,847	80,548,359
Potential tax benefit at 30%	24,653,954	24,164,508

The availability of the tax losses held by the Group in future periods is uncertain and will be dependent on the Group satisfying strict requirements with respect to continuity of ownership and the same business test imposed by income tax legislation. The recoupment of available tax losses as at 30 June 2014 is contingent upon the following:

(a) the Group deriving future assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised:
(b) the conditions for deductibility imposed by tax legislation continuing to be complied with: and
(c) there being no changes in tax legislation which would adversely affect the Group from realising the benefit from the losses.

Given the Group's history of recent losses with the exceptions of that noted in (D) below, the Group has not recognised a deferred tax asset with regard to unused tax losses, as it has not been determined that the Group will generate sufficient taxable profit against which the unused tax losses can be utilised.

In the prior year consideration was given to Calazda's ability to satisfy the tax loss recoupment tests for losses incurred in 2003 and earlier income years. On re-assessment tax losses of approximately $26 million were forfeited.

(D) INCOME TAX BENEFIT

The income tax benefit arises due to the recording of deferred tax assets that are available in the current year to offset against deferred tax liabilities from temporary differences.

6. Earnings Per Share (EPS)

Basic EPS amounts are calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Basic EPS:

30 June 2014	(0.71) cents per share
30 June 2013	(0.43) cents per share

Diluted EPS:

30 June 2014	(0.71) cents per share
30 June 2013	(0.43) cents per share

	30 June 2014	30 June 2013
The following reflects the income and share data used in the calculation of basic and diluted EPS:		
Net loss used in calculating basic and diluted EPS attributable to equity holders of the parent entity	($2,936,379)	($1,492,423)
Weighted average number of ordinary shares on issue used in the calculation of basic EPS	410,941,500	347,475,270
Potential ordinary shares that are not dilutive and are excluded from the calculation of diluted EPS	-	1,502,715

There were no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

7. Cash and Cash Equivalents

Reconciliation of cash at the end of the year

	30 June 2014 $	30 June 2013 $
Cash at bank and in hand (i)	566,360	1,483,667
Short-term deposits (ii)	4,100,000	1,300,000
	4,666,360	2,783,667

Notes:

(i) Cash at bank earns interest at floating rates based on daily bank deposit rates.

(ii) Short-term deposits mature within 3 months and have interest rates at 3.56% (2013: short-term deposit mature within 3 months and have interest rates at 4.05%).

For the purpose of the Cash Flow Statement, Cash and Cash Equivalents comprises Cash at Bank and Investments in Short-term deposits as listed above. The Group has no borrowings.

RECONCILIATION OF NET LOSS AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	30 June 2014 $	30 June 2013 $
Net Loss	(2,941,975)	(1,497,555)
Adjustments for non-cash items:		
Depreciation/Amortisation	215,177	216,835
Share-based payment expense	487,140	44,059
Interest	(184,381)	(165,880)
Change in assets and liabilities during the financial year:		
(Increase)/decrease in prepayments	(11,539)	-
(Increase)/decrease in receivables	(165,356)	(784,029)
(Increase)/decrease in other assets	41,951	(12,545)
Increase/(decrease) in payables	(72,485)	(70,732)
Increase/(decrease) in provisions	18,618	16,047
Increase/(decrease) in deferred taxes	-	(72,118)
Net cash outflows from operating activities	(2,612,850)	(2,325,918)

8. Receivables (Current)

	30 June 2014 $	30 June 2013 $
R and D tax concession	939,462	784,813
Interest receivable	19,886	12,524
GST recoverable	19,177	20,756
Royalty revenue receivable	5,098	-
Sundry receivables	13,200	13,374
	996,823	831,467

9. Other Assets (Non-Current)

NON-CURRENT

	30 June 2014 $	30 June 2013 $
Security deposit	106,998	148,949

The non-current security deposit relates to PolyNovo's long term lease of premises in Port Melbourne. During the period the Company received a partial refund of this deposit in the amount of $66,168 (2013:nil).

10. Available-for-Sale Financial Asset – Investment in Shares

	30 June 2014 $	30 June 2013 $
Balance at beginning of year	86,250	26,250
Gain/(impairment) of available-for-sale financial asset	16,250	60,000
Balance at end of year	102,500	86,250

The Company's available-for-sale financial asset's consists of fully paid ordinary shares held in Neuren Pharmaceuticals Limited ("Neuren") a Company listed on the Australian Securities Exchange.

After initial recognition, the available-for-sale investments are recorded at fair value with movements in fair value recorded in equity until the investment is deemed impaired or otherwise sold or disposed of.

At 30 June 2008 the Company deemed the investment in Neuren impaired due to a significant and prolonged decline in the market price of Neuren's shares. Due to this objective evidence that the investment in Neuren was impaired, an amount comprising the difference between its cost and its current value was transferred from equity to the Statement of Comprehensive Income (profit and loss).

From 1 July 2013 to 30 June 2014 there was an increase of $16,250 in the fair value of the investment in Neuren which was recorded as Other Comprehensive Income (equity).

11. Plant and Equipment

	30 June 2014 $	30 June 2013 $
OFFICE EQUIPMENT		
(i) Cost		
Opening balance	177,532	175,171
Additions	2,710	2,361
Disposals and write-off of equipment	-	-
Closing balance	180,242	177,532
(ii) Accumulated Depreciation		
Opening balance	(118,922)	(98,643)
Depreciation for the year	(17,663)	(20,279)
Closing balance	(136,585)	(118,922)
Net book value – Office equipment	43,657	58,610

LABORATORY PLANT AND EQUIPMENT

(i) Cost

Opening balance	611,621	600,537
Additions	73,610	11,084
Closing balance	685,231	611,621

(ii) Accumulated Depreciation

Opening balance	(432,640)	(346,689)
Depreciation for the year	(78,310)	(85,951)
Closing balance	(510,950)	(432,640)
Net book value – Laboratory plant and equipment	174,281	178,981

LEASEHOLD IMPROVEMENTS

(i) Cost

Opening balance	1,327,257	1,327,257
Additions	-	-
Closing balance	1,327,257	1,327,257

(ii) Accumulated Depreciation

Opening balance	(476,281)	(365,676)
Depreciation for the year	(119,204)	(110,605)
Closing balance	(595,485)	(476,281)
Net book value – Leasehold improvements	731,772	850,976
Net book value – Plant and equipment	949,710	1,088,567

12. Share-Based Payments

(A) EMPLOYEE SHARE-BASED PAYMENT PLANS

The Company provided benefits to employees in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). There were benefits provided during the period under the following plans:

(i) The Calzada Employee Performance Share Plan.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘vesting date’).

The expense recognised in the Statement of Comprehensive Income (profit and loss) in relation to share-based payments is disclosed in Note 4(c).

No current employees have performance rights.

(ii) Employee Share Option Plan

In November 2008, shareholders approved the Employee Share Option Plan where the Company may, at the discretion of management, grant options over the ordinary shares of Calzada Limited to Directors, Executives and members of staff of the Company. The options, granted in the 2011 year, were granted in accordance with performance guidelines established by the Directors of Calzada Limited. The options were granted for varying terms ranging from 12 to 36 months and are exercisable on vesting dates between the date of grant and expiry date.

In November 2011 shareholders approved a revised Employee Share Option Plan.

The fair value of the options granted under the Calzada Employee Share Option Plan are determined by using a binomial approximation model. This model takes into account, as at grant date, the exercise price and expected life of the option, the vesting criteria, the current price of the underlying share and its expected volatility, expected dividends and the risk-free interest rate for the expected life of the option.

Options granted in the 2013 year were granted in accordance with performance guidelines established by the Directors of Calzada Limited. The options were granted for varying terms ranging from 12 to 36 months and are exercisable on vesting dates between the date of grant and expiry date. These options were issued pursuant to the Calzada Employee Share Option Plan. The option-pricing model values each of these vesting portions separately.

The assumptions used to obtain a fair value for options, which form part of current or prior year expense, are listed in the following table:

	23 Nov 2010	**15 Dec 2010**	**29 Apr 2011**	**29 Apr 2011**	**20 Nov 2012**	**12 Apr 2013**	**1 Aug 2013**	**19 May 2014**	**19 May 2014**
Binomial Option Pricing Model Variables									
Exercise price	$0.04 $0.06	$0.04 $0.06	$0.04 $0.06	$0.085	$0.11	$0.11	$0.11	$0.09	$0.20
Risk-free interest rate	6.06%	6.06%	6.16%	6.16%	2.70%	2.70%	2.70%	2.80%	2.80%
Volatility	80%	80%	60%	60%	90%	90%	90%	75%	75%
Expiry date	01/12/13	01/12/13	01/12/13	01/04/14	20/11/15	12/10/14	31/12/14	03/07/17	03/07/17
Dividend yield	-	-	-						
Average fair value per option	$0.0074	$0.0074	$0.0255	$0.0140	$0.0173	$0.0106	$0.0238	$0.053	$0.033

(A) INFORMATION WITH RESPECT TO THE NUMBER OF OPTIONS GRANTED:

(i) Employee Options over Ordinary Shares (No. of Options) at 30 June 2014.

Date of Issue	**23/11/10**[2]	**15/12/10**[1]	**29/04/11**	**29/04/11**	**20/11/12**[3]	**12/4/13**[4]	**01/08/13**[5]	**19/05/14**[5]	**Total**
On issue at beginning of the year	3,200,000	5,801,667	2,133,333	1,000,000	1,500,000	850,000	-	-	14,485,000
Granted during the year	-	-	-	-	-	-	300,000	10,000,000	10,300,000
Exercised during the year	3,200,000	5,801,667	2,133,333	1,000,000	-	-	300,000		12,435,000
Expired unexercised during the year	-	-	-	-	-	-	-		-
Forfeited/Forfeited during the period	-	-	-	-	-	-	-		-
On issue at balance date	-	-	-	-	1,500,000	850,000	-		12,350,000
Issued subsequent to balance date	-	-	-	-	-	-	-		-
Exercised subsequent to balance date	-	-	-	-	-	-	-		-
Forfeited/Forfeited subsequent to balance date	-	-	-	-	-	-	-		-
On issue at date of DirectorsôReport	-	-	-	-	1,500,000	850,000	-	10,000,000	12,350,000
Current number of recipients	3[2]	6	1	1	3	2	1	1	
Exercise price	$0.04 $0.06	$0.04 $0.06	$0.04 $0.06	$0.085 -	$0.11	$0.11	$0.11	$0.09 $0.20	
Exercise period: From	23/11/10	15/12/10	29/04/11	29/04/11	20/11/12	12/04/13	01/08/13	04/07/14	
To	23/11/11	01/12/13	01/12/13	01/04/14	20/11/15	12/10/14	31/12/14	04/07/17	
Expiration date	23/11/13	01/12/13	01/12/13	01/04/14	20/11/15	12/10/14	31/12/14	04/07/17	
The following proportions vest from the dates shown:									
50%	23/11/10		01/02/12		100% immediately	100% immediately	100% immediately		
50%	23/11/11		01/02/13						
33%		15/12/10		29/04/11					
33%		01/12/11		01/04/12					
34%		01/12/12		01/04/13					

[1] 100% of options granted in December 2010 to Mr David Kenley vested on 15/12/2010.

[2] Upon Dr Stewart Washerôs departure from the group 3,200,000 unvested options were forfeited. The remaining 3,200,000 of Dr Stewart Washerôs options which had already vested were sold to Mr David Kenley (1,422,222 options), Mr Chris Mews (355,556 options), and the remaining 1,422,222 options to an independent third party. The sale was on commercial terms.

[3] All options issued vested immediately.

[4] All options issued vested immediately.

[5] Options granted vested immediately.

(i) Employee Options over Ordinary Shares (No. of Options) at 30 June 2013.

Date of Issue	**23/11/10**[2]	**15/12/10**[1]	**29/04/11**	**29/04/11**	**20/11/12**[3]	**12/4/13**[4]	**Total**
On issue at beginning of the year	3,200,000	5,801,667	2,133,333	1,000,000	-	-	12,135,000
Issued during the year	-	-	-	-	1,500,000	850,000	2,350,000
Exercised during the year	-	-	-	-	-	-	-
Expired unexercised during the year	-	-	-	-	-	-	-
Forfeited/Forfeited during the period	-	-	-	-	-	-	-
On issue at balance date	3,200,000	5,801,667	2,133,333	1,000,000	1,500,000	850,000	14,485,000
Issued subsequent to balance date	-	-	-	-	-	-	-
Exercised subsequent to balance date	-	-	-	-	-	-	-
Forfeited/Forfeited subsequent to balance date	-	-	-	-	-	-	-
On issue at date of DirectorsôReport	3,200,000	5,801,667	2,133,333	1,000,000	1,500,000	850,000	14,485,000
Current number of recipients	3[2]	6	1	1	3	2	
Exercise price	$0.04 $0.06	$0.04 $0.06	$0.04 $0.06	$0.085 -	$0.11	$0.11	
Exercise period: From	23/11/10	15/12/10	29/04/11	29/04/11	20/11/12	12/04/13	
To	23/11/11	01/12/13	01/12/13	01/04/14	20/11/15	12/10/14	
Expiration date	23/11/13	01/12/13	01/12/13	01/04/14	20/11/15	12/10/14	
The following proportions vest from the dates shown:							
50%	23/11/10		01/02/12		100% immediately	100% immediately	
50%	23/11/11		01/02/13				
33%		15/12/10		29/04/11			
33%		01/12/11		01/04/12			
34%		01/12/12		01/04/13			

[1]100% of options granted in December 2010 to Mr David Kenley vested on 15/12/2010.

[2]Upon Dr Stewart Washerôs departure from the group 3,200,000 unvested options were forfeited. The remaining 3,200,000 of Dr Washers options which had already vested were sold to Mr David Kenley (1,422,222), Mr Chris Mews (355,556) and the remaining to an independent third party. The sale was on commercial terms.

[3] All options vested immediately.

[4] All options vested immediately.

(B) INFORMATION RELATING TO OPTIONS EXERCISED BY EMPLOYEES DURING THE YEAR ENDED 30 JUNE 2014

12,435,000 options were exercised by employees of the Company during the year ended 30 June 2014 (2013:Nil).

(C) PERFORMANCE RIGHTS GRANTS ï NO PERFORMANCE RIGHTS WERE GRANTED DURING THE YEAR ENDED 30 JUNE 2014 OR 30 JUNE 2013.

(i) There were no Employee Performance Rights over Ordinary Shares (No. of Performance Rights) as at 30 June 2014 (2013:Nil).

(D) EXPENSES/(BENEFIT) ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

	30 June 2014 $	**30 June 2013 $**
Options expensed	487,140	44,059
	487,140	44,059

13. Trade and Other Payables (Current)

	30 June 2014 $	30 June 2013 $
Trade creditors and payables [(i)]	209,494	263,540
Other payables	166,268	184,707
Total trade and other payables	375,762	448,247

Note:

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms.

14. Provisions (Current & Non-Current)

	30 June 2014 $	30 June 2013 $
(A) CURRENT PROVISIONS		
Annual leave	70,309	67,243
Long service leave	48,631	19,177
Total Current Provisions	118,940	86,420
(B) NON-CURRENT PROVISIONS		
Long service leave	24,661	38,563
Total Non-Current Provisions	24,661	38,563

15. Contributed Equity and Reserves

(A) MOVEMENT IN CONTRIBUTED EQUITY

	30 June 2014 $	30 June 2013 $
Contributed equity at beginning of year	91,581,364	90,358,605
Shares issued during the year	2,613,966	1,250,000
Costs of share issue	-	(27,241)
Exercise of options	674,750	-
Contributed equity at end of year	94,870,080	91,581,364
	Number of Shares	
On issue at start of year	365,863,047	346,632,277
Shares issued during the year [(i)]	40,211,379	19,230,770
Exercise of options	12,435,000	-
On issue at end of year	418,509,426	365,863,047

Terms and conditions of contributed equity

Ordinary Shares attract the right to receive notice of and attend and vote at all general meetings of the Company, to receive dividends as declared and, in the event of winding up the Company, to participate equally in the distribution of the assets (both capital and surplus), subject to any amounts unpaid on shares. Each Ordinary Share entitles the holder to one vote, either in person or by proxy, at a meeting of the Company.

(i) Securities issued or granted during the year ended 30 June 2014

Ordinary Fully Paid Shares:

- 40,211,379 shares were issued during the period ended 30 June 2014 under the Company's Share Purchase Plan.
- 12,435,000 options were exercised during the period resulting in the issue of 12,435,000 shares.

Performance Rights and Options Granted:

- No performance rights were granted during the period ended 30 June 2014.
- 10,300,000 options were granted during the period ended 30 June 2014.

(ii) Securities issued or granted during the year ended 30 June 2013

Ordinary Fully Paid Shares:

- 19,230,770 shares were issued during the period ended 30 June 2013 to Professional and Sophisticated Investors.

Performance Rights and Options Granted:

- No performance rights were granted during the period ended 30 June 2013.
- 2,350,000 options were granted during the period ended 30 June 2013

(B) RESERVES

	30 June 2014 $	30 June 2013 $
Share based payments reserve (i)	2,146,827	1,659,687
Gains/(losses) on available-for-sale financial assets (ii)	103,750	87,500
Acquisition of non controlling interest reserve (iii)	(477,596)	(477,596)
Balance at end of period	1,772,981	1,269,591

(i) Share Based Payments Reserve

	30 June 2014 $	30 June 2013 $
Balance at beginning of period	1,659,687	1,615,628
Share-based payments movement	487,140	44,059
Balance at end of period	2,146,827	1,659,687

This reserve represents the nominal consideration paid for subscriber or employee options and the fair value of options and performance rights.

(ii) Gains/(Losses) on Available-for-sale Financial Assets Reserve	30 June 2014 $	30 June 2013 $
Opening balance	87,500	27,500
Unrealised gain/(loss) on available-for-sale financial assets	16,250	60,000
Balance at end of period	103,750	87,500

Refer note 10 for details of the purpose of this reserve account.

(iii) Acquisition of Non Controlling Interest Reserve	30 June 2014 $	30 June 2013 $
Opening balance	(477,596)	(477,596)
Acquisition of non controlling interest	-	-
Balance at end of year (i)	(477,596)	(477,596)

(i) This reserve represents the premium paid by Calzada Limited for the non-controlling interest in PolyNovo Biomaterials Pty Ltd.

	30 June 2014 $	30 June 2013 $

(C) ACCUMULATED LOSSES

	30 June 2014 $	30 June 2013 $
Accumulated losses at beginning of year	(84,988,376)	(83,495,953)
Net loss attributable to members of the parent	(2,936,379)	(1,492,423)
Accumulated losses at end of financial year	(87,924,755)	(84,988,376)

16. Non Controlling Interests

	30 June 2014 $	30 June 2013 $
Opening balance	(44,699)	(39,567)
Current year share of accumulated losses	(5,596)	(5,132)
Balance at end of year	(50,295)	(44,699)

In 2010 the Group together with Skin Pty Ltd formed two companies, NovoSkin Pty Ltd and NovoWound Pty Ltd, holding an 80% share in each with the remaining 20% interest held by Skin Pty Ltd, a Company associated with Associate Professor John Greenwood.

NovoSkin and NovoWound are developing a Biodegradable Temporising Matrix (“BTM”) product aimed at the treatment of full thickness burns.

17. Commitments and Contingencies

OPERATING LEASE COMMITMENTS – COMPANY AS LESSEE

The Group has entered into commercial office and laboratory leases. These leases have an initial term of 12 years with a further 5 year option after that time. Future minimum rentals payable under non-cancellable operating leases are as follows:

	30 June 2014 $	30 June 2013 $
Not later than one year	253,907	244,142
Later than one year, but not later than five years	1,121,341	1,078,211
Later than five years	282,234	579,271
	1,657,482	1,901,624

CONTINGENCIES

The Directors were not aware of any other contingent liabilities or contingent assets at 30 June 2014. There has been no change since that date.

18. Related Party Disclosures

Similar to that disclosed in the Key Management Personnel disclosures section of the financial statements (Note 23) there were the following transactions with related parties during the year.

Lateral Innovations Pty Ltd, an entity associated with Mr David Kenley received payments in the amount of $237,455 (2013: $219,839). These payments were in respect to consulting services to Metabolic Pharmaceuticals Pty Ltd, PolyNovo Biomaterials Pty Ltd and Calzada Limited.

Other than as noted above, there were no further transactions with related parties during the period under review.

19. Events after the Balance Sheet Date

On 1 July 2014 shareholders approved the issue of 10,000,000 options to Mr David Williams. 7,500,000 have an exercise price of $0.09, vest 100% immediately and expire 3 years from the date of issue. 2,500,000 have an exercise price of $0.20, vest 100% immediately and expire 3 years from the date of issue.

On 21 July 2014 Calzada announced that its subsidiary had received CE Mark clearance enabling it to market and sell its Topical Negative Pressure dressing NovoPore™ in the European Union.

The Directors are not aware of any other matters or circumstances since the end of the financial year other than those described above, not otherwise dealt with in this report which have significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

20. Auditor’s Remuneration

The auditor of Calzada Limited is Ernst & Young.

Amounts received or due and receivable by Ernst & Young for:

	30 June 2014 $	30 June 2013 $
An audit or review of the financial reports of the entity:		
- Half-year and full-year audits	87,000	97,000
Other services in relation to the entity:		
- Preparation of tax returns	12,500	19,050
- Accounting requirement for Government Grant application	3,000	-
- Accounting and tax advice in respect to Deferred Tax Assets and Deferred Tax Liabilities and remuneration report	-	3,280
- Preparation and lodgement of Research and Development tax benefit application, AusIndustry review and overseas applications	13,750	22,000
Total for entity auditors	116,250	141,330

The Directors are satisfied that the provision of non-audit services during the current period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

21. Parent Entity Information

	30 June 2014 $	30 June 2013 $
Information relating to Calzada Ltd:		
Current assets	4,433,408	3,855,163
Total assets	15,993,889	13,709,616
Current liabilities	176,236	294,896
Total liabilities	188,799	303,545
Issued capital	94,870,080	91,581,605
Retained earnings	(81,315,567)	(79,922,490)
Total reserves	2,250,577	1,747,187
Total shareholdersôequity	15,805,090	13,406,071
Profit/(loss) of the parent entity	(1,393,433)	(874,056)
Total comprehensive income/(loss) of the parent entity	(1,377,183)	(814,056)
Guarantees entered into by the parent entity in relation to the debts of its subsidiaries	-	-
Details of any contingent liabilities of the parent entity ï refer note 17		
Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment.	-	-

22. Financial Risk Management Objectives and Policies

(A) FINANCIAL INSTRUMENTS

The Group's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables, financial liability, other financial asset and available for sale financial assets.

	30 June 2014 $	30 June 2013 $
Cash and cash equivalents	4,666,360	2,783,667
Trade and other receivables	996,823	831,467
Other financial asset (classified as held to maturity)[1]	60,000	1,160,000
Trade and other payables	375,762	448,247

[1] At 30 June 2014 and 30 June 2013, the carrying value of these held-to-maturity assets approximated fair value.

(B) AVAILABLE-FOR-SALE FINANCIAL ASSETS – INVESTMENT IN SHARES

	30 June 2014 $	30 June 2013 $
Available-for-sale financial asset	102,500	86,250

The Group's available-for-sale financial asset at 30 June 2014 consists of 1,250,000 fully paid ordinary shares held in Neuren Pharmaceuticals Limited ("Neuren"), a Company listed on the Australian Securities Exchange (ASX Code: NEU).

(C) RISK MANAGEMENT POLICY

The Group has a formal risk management policy and a risk management system. This approach to risk management involves identifying, assessing and managing the risks that affect the business, whilst at the same time considering these risks in the context of the Group's values, objectives and strategies. The Board is responsible for overseeing the implementation of the risk management system, and reviews and assesses the effectiveness of the Group's implementation of that system.

The Group seeks to ensure that its exposure to undue risk which is likely to impact its financial performance, continued growth and survival is minimised in a cost effective manner.

(D) SIGNIFICANT ACCOUNTING POLICIES

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis for measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2.

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables represents their fair values determined in accordance with the accounting policies disclosed in Note 2.

The carrying amount of the available-for-sale investments are determined as the market price of the shares at the close of business on balance date. The accounting policy relating to available-for-sale investments is disclosed in Note 2.

The accounting policy relating to the other financial asset is disclosed in Note 2. This represents amounts held in term deposits that mature greater than 3 months.

Interest revenue on cash and cash equivalents and foreign exchange movements on trade and other receivables and other payables are disclosed in Note 4.

(E) CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may issue new shares or reduce its capital, subject to the provisions of the Company's Constitution and any relevant regulatory requirements. The capital structure of the Group consists of equity attributed to equity holders of the Group comprising contributed equity, reserves and accumulated losses as disclosed in note 15. By monitoring undiscounted cash flow forecasts and actual cash flows provided to the Board by the Group's Management, the Board monitors the need to raise additional equity from the equity markets.

(F) FINANCIAL RISK MANAGEMENT

The main financial risks the Group is exposed to through its operations are:

- Interest rate risk
- Credit risk
- Liquidity risk
- Other price risk

Interest Rate Risk

Interest rate risk is where the value of a financial instrument may fluctuate as a result of changes in market interest rates.

The Group is exposed to interest rate risks via the cash and cash equivalents that it holds. To date all cash and cash equivalents have been held by the National Australia Bank. The objective of managing interest rate risk is to minimise the Group's exposure to fluctuations in interest rate that might impact its interest revenue and cash flow. To manage interest rate risk, the Group locks a portion of the Group's cash and cash equivalents into term deposits. The maturity of term deposits is determined based on the Group cash flow forecast. Interest rate risk is considered when placing funds on term deposit. The Group considers the reduced interest rate received by retaining cash and cash equivalents in the Group's operating account compared to placing funds on term deposit. This consideration also takes into account the costs associated with early withdrawal of a term deposit should access to cash and cash equivalents be required.

The Group's exposure to interest rate risk and the weighted average interest rates on the Group's financial assets and financial liabilities is as follows:

2014	Weighted Average Effective Interest Rate	Floating Interest Rate $	Fixed interest rate 0 – 90 days $	Fixed Interest Rate 91-365 days $	Fixed Interest Rate 1 to 5 years $	Fixed Interest Rate Over 5 Years $	Non-Interest Bearing $	Total $
Financial assets:								
Cash and cash equivalents	3.56%	566,360	4,100,000	-	-	-	-	**4,666,360**
Other financial assets	2.68%	-	-	60,000	-	-	-	**60,000**
Receivables	-	-	-	-	-	-	996,823	**996,823**
Total financial assets:		**566,360**	**4,100,000**	**60,000**	**-**	**-**	**996,823**	**5,723,183**
Financial liabilities:								
Trade and other Payables	-	-	-	-	-	-	375,762	**375,762**
Total financial liabilities:		**-**	**-**	**-**	**-**	**-**	**375,762**	**375,762**

2013	Weighted Average Effective Interest Rate	Floating Interest Rate $	Fixed interest rate 0 – 90 days $	Fixed Interest Rate 91-365 days $	Fixed Interest Rate 1 to 5 years $	Fixed Interest Rate Over 5 Years $	Non-Interest Bearing $	Total $
Financial assets:								
Cash and cash equivalents	4.05%	1,483,667	1,300,000	-	-	-	-	**2,783,667**
Other financial assets	4.00%	-	-	1,160,000	-	-	-	**1,160,000**
Receivables	-	-	-	-	-	-	831,467	**831,467**
Total financial assets:		**1,483,667**	**1,300,000**	**1,160,000**	**-**	**-**	**831,467**	**4,775,134**
Financial liabilities:								
Trade and other Payables	-	-	-	-	-	-	448,247	**448,247**
Total financial liabilities:		**-**	**-**	**-**	**-**	**-**	**448,247**	**448,247**

There has been no change to the Group's exposure to interest rate risk or the manner in which it manages and measures its risk in the year ended 30 June 2014.

The analysis below details the impact on the Group's loss after tax if the interest rate associated with cash and cash equivalents and deposits included in other financial assets was to fluctuate by the margins below, assuming all other variables had remained constant:

	Higher/(Lower) 2014	(Higher)/Lower 2013
+ 1% (100 basis points)	47,264	39,437
- 1% (100 basis points)	(47,264)	(39,437)

Credit risk

Credit risk is where a counterparty may default on its contractual obligations resulting in a financial loss to the Group.

The Group is exposed to credit risk via its cash and cash equivalents and receivables. To reduce risk exposure for the Group's cash and cash equivalents, they are placed with the Group's main bankers, the National Australia Bank (S&P Rating AA/A-1+, Moody's rating Aa1/P-1). A change to the Group's bankers requires Board approval.

In recent years the Group has had minimal trade and other receivables, with the majority of its cash receipts being provided via shareholder investment. The Group's receivables at 30 June 2013 largely relate to accrued interest, license revenue receivable and the research and development tax benefit. At 30 June 2013, $784,813 relates to the R and D tax benefit in respect to the 2013 financial year.

There are no significant concentrations of credit risk within the Group.

The analysis of trade and other receivables is as follows.

2014	0-30 days $	30-60 days $	60-90 days $	90+ day $	Total $
Trade and other receivables	39,063	18,298	-	939,462	**996,823**

2013	0-30 days $	30-60 days $	60-90 days $	90+ day $	Total $
Trade and other receivables	30,239	12,630	3,783	784,815	**831,467**

Liquidity risk

Liquidity risk is where the Group may encounter difficulty in raising funds to meet its financial liabilities.

The Group is exposed to liquidity risk via its trade and other payables. Responsibility for liquidity risk rests with the Board who regularly review liquidity risk by monitoring undiscounted cash flow forecasts and actual cash flows provided to them by the Group's management at board meetings to ensure that the Group continues to be able to meet its debts as and when they fall due. Contracts are not entered into unless the Board is satisfied that there is sufficient cash flow to fund the additional commitment. The Board determines when reviewing the undiscounted cash flow forecasts whether the Group needs to raise additional working capital from its existing shareholders, the equity capital markets or any other available sources.

Analysis of trade and other payables, performed on a contractual basis, is as follows.

2014	0-30 days $	30-60 days $	60-90 days $	90+ day $	Total $
Trade and other payables	140,697	183,762	-	51,303	**375,762**

2013	0-30 days $	30-60 days $	60-90 days $	90+ day $	Total $
Trade and other payables	219,422	153,825	-	75,000	**448,247**

Other price risk – Available-for-sale financial asset

The Group's available-for-sale financial asset at 30 June 2013 consists of 1,250,000 fully paid ordinary shares held in Neuren Pharmaceuticals Limited ("Neuren"), a Company listed on the Australian Securities Exchange (ASX Code: NEU), and therefore subject to price risk associated with fluctuations in the market price.

The Board has determined that there is no effective instrument available to efficiently manage its exposure to price fluctuations of an equity investment such as these that are by their nature inherently speculative. Accordingly it regularly monitors its investment in these assets by following the material disclosed by Neuren to the ASX.

After initial recognition, the available-for-sale investments are recorded at fair value with movements in fair value recorded in equity until the investment is deemed impaired or otherwise sold or disposed of.

At 30 June 2008 the Company deemed the investment in Neuren impaired due to a significant and prolonged decline in the market price of Neuren's shares. Due to this objective evidence that the investment in Neuren was impaired, an amount comprising the difference between its cost and its current value was transferred from equity to the Statement of Comprehensive Income (profit and loss).

From 1 July 2011 to 30 June 2012 there was an increase of $10,000 in the fair value of the investment in Neuren which was recorded as Other Comprehensive Income (Equity).

From 1 July 2012 to 30 June 2013 there was an increase of $60,000 in the fair value of the investment in Neuren which was recorded as Other Comprehensive Income (Equity).

From 1 July 2013 to 30 June 2014 there was an increase of $16,250 in the fair value of the investment in Neuren which was recorded as Other Comprehensive Income (Equity).

The analysis below indicates the impact on the Group's loss after tax and equity had the market price of the investment in Neuren fluctuated by the margins below:

	Higher/(Lower) 2014 $	Higher/(Lower) 2013 $
Equity:		
Share Price + 20%	20,500	17,250
Share Price – 20%	(20,500)	(17,250)
Profit and Loss:		
Share Price + 20%	-	-
Share Price – 20%	-	-

The major methods and assumptions in estimating fair value of financial instruments were disclosed in note 2(K) of the significant accounting policies section.

At 30 June 2014, the carrying value of debt and equity investments which fair values were determined directly, in full or in part, by reference to published price quotations amounted to $102,500 (2012: $86,250).

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

Fair value measurements recognised in the statement of financial position

Level 1

Level 1 fair value measurements are those instruments valued based on quoted prices in active markets.

Level 2

Level 2 fair value measurements are those instruments based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Level 3 fair value measurements are those instruments valued based on inputs for the asset or liability that are not based on observable market data.

30 June 2014	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	102,500	-	-	102,500
Total	**102,500**	**-**	**-**	**102,500**

30 June 2013	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	86,250	-	-	86,250
Total	**86,250**	**-**	**-**	**86,250**

23. Key Management Personnel Disclosures

The Key Management Personnel compensation disclosures required by the *Corporations Act 2001* are provided in the Remuneration Report in the DirectorsôReport.

(A) DETAILS OF KEY MANAGEMENT PERSONNEL

The Key Management Personnel of the Group are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the 2014 and 2013 financial years. Unless otherwise indicated they were Key Management Personnel during the whole of the financial years. The Key Management Personnel are:

(i) Directors

- Mr David Williams - *Chairman (Non-executive) – appointed Non-executive Director on 28 February 2014 and Non-executive Chairman on 13 March 2014.*
- Mr David Franklyn - *Chairman (Non-executive) – appointed 16 April 2009, resigned 15 November 2013.*
- Mr Bruce Rathie - *Director (Non-executive) – appointed 18 February 2010.*
- Dr David McQuillan ï *Director (Non-executive) ï appointed 6 August 2012.*
- Dr Roger Aston – *Director (Non-executive) ï appointed Chairman on 15 November 2013 and Non-executive Director on 13 March 2014.*
- Mr Max Johnston ï *Director (Non-executive) ï appointed 13 May 2014.*
- Mr Philip Powell ï *Director (Non-executive) ï appointed 13 May 2014.*
- Dr John Chiplin - *Director (Non-executive) – appointed 18 October 2010, resigned 14 November 2012.*

(ii) Other Key Management Personnel

- Mr David Kenley - *Chief Executive Officer of Metabolic Pharmaceuticals Pty Ltd* ï appointed *18 February 2010.*
- Mr Chris Mews - *Chief Financial Officer/Company Secretary – appointed CFO 1 September 2009 and held title of Company Secretary since 16 April 2009*.
- Mr Laurent Fossaert - *Chief Executive Officer of PolyNovo – appointed permanent CEO on 18 February 2010. Prior to this time he was COO and acting CEO of PolyNovo*.

COMPENSATION BY CATEGORY: KEY MANAGEMENT PERSONNEL

	30 June 2014 $	30 June 2013 $
Short-Term	846,935	847,228
Post Employment - Superannuation	52,214	51,412
Long-Term	6,930	7,053
Share-based Payments	480,000	39,312
	1,386,079	945,005

INTERESTS HELD BY KEY MANAGEMENT PERSONNEL

Share options held by key management personnel to purchase ordinary shares have the following expiry dates and exercise prices:

Issue date	Expiry Date	Exercise Price	2014 Number Outstanding	2013 Number Outstanding
2010	01/12/13	$0.040	-	3,200,000
2010	01/12/13	$0.060	-	3,200,000
2011	01/04/14	$0.085	-	1,000,000
2012	20/11/15	$0.110	1,500,000	1,500,000
2014	03/07/17	$0.090	7,500,000	-
2014	03/07/17	$0.20	2,500,000	-
			11,500,000	8,900,000

(D) LOANS TO KEY MANAGEMENT PERSONNEL

No loans have been made to Directors of Calzada or to any other Key Management Personnel, including their personally-related entities.

(E) OTHER TRANSACTIONS WITH DIRECTORS

Lateral Innovations Pty Ltd of which David Kenley is a Director was engaged by Calzada Limited to provide consulting services to Metabolic Pharmaceuticals Pty Ltd. Consulting and Director fees of $237,455 (2013: $219,839) were paid by Calzada during the financial year.

24. Intangible assets

	30 June 2014 $	30 June 2013 $
Intangible assets	2,519,788	2,519,788

These intangible assets were acquired through the business combination formed with PolyNovo Biomaterials Pty Ltd, on 17 December 2008. These assets are indefinite lived and are subject to impairment testing on an annual basis or whenever there is an indication of impairment.

The impairment assessment at 30 June 2014 took into consideration a valuation report prepared by an independent third party.

The valuation report was prepared by assigning a value to projects in the Group's pipeline using a probability weighted basis based on future cash flows. In arriving at a valuation for each project, various assumptions were made depending on the individual project. The assumptions for each project are as outlined below:

Growth rate	3%
Valuation date	30 June 2014
After tax discount rate	20%
Royalty on sales	4%
Market penetration	5% to 10%

Growth rate: derived from published data on growth in incidence of the relevant indications and historical growth of products being sold into those conditions.

Royalty on sales: is based on available industry data.

Market penetration: is a best estimate considering quality of proposed products relative to competitive offerings, where competitors exist, number of competitive products and what commercial partners would expect to justify further investment in development.

A sensitivity analysis was performed where the value of the assumptions were changed by 10%. In this instance, the value placed on the Intellectual Property was still above the carrying value.

Consideration was also given to recent transactions in the field of each project and the market capitalisations of ASX Listed Company's with similar technology. The report concluded that the value of the Intellectual Property is in excess of the current carrying value.

The Directors considered this valuation report and it is the opinion of the Directors that no impairment of the Intellectual Property is necessary as at 30 June 2014.

25. Controlled entities

The consolidated financial statements incorporated the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy in Note 2:

	Country of incorporation	Percentage Owned	
		2014 %	2013 %
Company:			
Calzada Limited	Australia		
Subsidiaries of Calzada Limited:			
PolyNovo Biomaterials Pty Ltd	Australia	100	100
Metabolic Pharmaceuticals Pty Ltd	Australia	100	100
NovoSkin Pty Ltd	Australia	80	80
NovoWound Pty Ltd	Australia	80	80

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Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent auditor's report to the members of Calzada Limited

Report on the financial report

We have audited the accompanying financial report of Calzada Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, 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 judgment, 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 controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. 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.

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Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. We confirm that the Auditor's Independence Declaration 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 Calzada Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity'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 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 21 to 33 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 Calzada Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Don Brumley
Partner
Melbourne
25 August 2014

Additional information required by the Australian Securities Exchange is as follows:

Ordinary Shares

As at 21 August 2014 there were 418,509,426 ordinary shares on issue held by 5,336 shareholders. Each ordinary share carry's one vote per share.

Top 20 Shareholders as at 21 August 2014

Shareholder	No. of Shares	%
Trust Company Ltd <MOF A/C>	64,710,964	15.46
Lateral Innovations Pty Ltd	12,117,436	2.90
HSBC Custody Nominees Ltd	11,718,923	2.80
Monash Investment Holdings Pty Ltd	9,607,520	2.30
Kittel Family Super Account	6,201,620	1.48
Mr Laurent Fossaert	5,954,334	1.42
Shepherd Investment A/C	5,661,451	1.35
Ms Suzanne Kenley	5,481,098	1.31
Mr David Kenley	5,016,800	1.20
Lappin Super Fund A/C	4,337,964	1.04
CSIRO	4,081,250	0.98
Semblance Pty Ltd	3,895,000	0.93
Mr David Kenley	3,789,266	0.91
Professor Frank Ng	2,825,000	0.68
TW Davis Holdings Pty Ltd	2,720,000	0.64
Mrs Georgina Panayiaris	2,708,289	0.64
Haskali Super Fund	2,527,964	0.60
Dr Marcus Wagstaff and Mrs Lara Wagstaff	2,500,822	0.60
Citicorp Nominees Pty Ltd	2,297,115	0.55
JP Morgan Nominees Australia Ltd	2,279,905	0.54
Total	**160,432,721**	**38.33**

Unquoted securities

Options over unissued shares

As at 21 August 2014 a total of 12,350,000 options over ordinary shares are on issue held by 6 individual holders. 850,000 of these options were issued under the Calzada Employee Share Option Plan.

There are 11,500,000 options on issue to Directors as at the date of this report. Options do not carry a right to vote.

On 1 July 2014 shareholders approved the issue of 10,000,000 options to Mr David Williams. 7,500,000 have an exercise price of $0.09, vest 100% immediately and expire 3 years from the date of issue. 2,500,000 have an exercise price of $0.20, vest 100% immediately and expire 3 years from the date of issue. Range of Shareholders as at 20 August 2014

	No. of Holders	No. of shares
1 - 1000	715	482,880
1,001 ï 5,000	1,637	4,854,715
5,001 ï 10,000	813	6,682,673
10,001 ï 100,000	1,654	57,087,397
100,001 and over	517	349,401,761
Number of holders with less than a marketable parcel	2,105	4,102,595

Voting rights

Clauses 45 to 54 of the Companyøs constitution stipulate the voting rights of members. In summary but without prejudice to the provisions of the Constitution, every member present in person or by representative, proxy or attorney shall have one vote on a show of hands and on a poll have one vote for each share held by the member.

Substantial Shareholders

Name of shareholding	No. of shares
Trust Company Ltd <MOF Account>	64,510,964
Mr David Kenley	30,374,777

Quotation of the Company's Shares

Calzada has been granted official quotation for its shares on the Australian Securities Exchange (ASX Code: CZD).

Corporate Directory

ABN 96 083 866 862

Non-executive Chairman
Mr David Williams

Acting Joint Managing Directors
Dr David McQuillan
Mr Philip Powell

Non-executive Directors
Mr Bruce Rathie
Dr Roger Aston
Mr Max Johnston

Company Secretary
Mr Chris Mews

Registered Office
Unit 2/320 Lorimer St
Port Melbourne
Victoria 3207

Tel: (03) 8681 4050
Fax: (03) 8681 4099

Share Registry
Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston St
Abbotsford, Victoria 3067
Telephone: 1300 850 505

Auditors
Ernst & Young
8 Exhibition St
Melbourne Victoria

Website
www.calzada.com.au

Australian Securities Exchange
Calzada shares are quoted on ASX Limited (ASX Code: CZD)