



Annual Statutory Accounts

Year ended 30 June 2014

MEDIGARD LTD

ABN 49 090 003 044

Full Year Statutory Accounts

For the year ended 30 June 2014

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DIRECTORS' REPORT

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

Directors

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

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

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

Company Secretary

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

Principal Activities

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

Operating Results

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

Dividends Paid or Recommended

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

REVIEW OF OPERATIONS

Research and Development

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

Financial Position

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

Future Developments, Prospects and Business Strategies

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

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

Significant Changes in State of Affairs

There are no significant changes in state of affairs.

After Balance Date Events

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

Environmental Issues

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

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

Information on Directors

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

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

REMUNERATION REPORT (AUDITED)

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

Remuneration Policy

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

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

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

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

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

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

Company Performance

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

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Details of remuneration for year ended 30 June 2014

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

2014

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

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

2013

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

Other Key Management Personnel

There were no other Key Management Personnel.

No remuneration for current or previous year is performance related.

Service Agreements

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

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

D J Channer

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

C J Bishop

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

R S Krakowiak

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

P M Boero

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

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Additional disclosures relating to Key Management Personnel

Shareholding

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

Option Holding

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

Related Party Transactions

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

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

Transactions with related parties	2014	2013
	\$	\$

Director related entities

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

Director

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

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

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

Meetings of Directors

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

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

Indemnity and insurance of officers

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

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

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

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

The company has not indemnified nor insured the auditors.

Options

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

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

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

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

Proceedings on Behalf of Company

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

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

Non-audit Services

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

Auditor's Independence Declaration

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

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

Signed in accordance with a resolution of the Board of Directors

Director Donald Channer

Date 29 September 2014

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

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

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



D P WRIGHT

Director

BDO Audit Pty Ltd

Brisbane, 29 September 2014

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

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

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

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STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

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

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

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING 30 JUNE 2014

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

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

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

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

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

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

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The financial statements are presented in the Australian currency.

Basis of Preparation

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

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

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

Going Concern

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

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

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

Accounting Policies

a Income Tax

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

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

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

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

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

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

b Plant and Equipment

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

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

Depreciation

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

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

Plant and equipment	20% - 40%
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c Financial Instruments

Recognition

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

Loans and receivables

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

Financial liabilities

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

d Fair Value

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

e Intangibles

Patents and Trademarks

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

Research and Development Expenditure

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

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

f Equity-settled Compensation

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

g Cash and Cash Equivalents

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

h Revenue

Interest revenue is recognised using the effective interest rate method.

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

i Leases

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

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

j Goods and Services Tax (GST)

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

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

k Comparative Figures

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

l Impairment of Assets

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

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

m Earnings Per Share

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

n Trade and Other Payables

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

o New and amended standards and interpretations

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

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

p New and amended standards and interpretations not yet adopted

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

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

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

There are no franking credits available

NOTE 5 KEY MANAGEMENT PERSONNEL

Compensation

Short term employee benefits	23,400	24,050
Post-employment benefits	-	-
	23,400	24,050

NOTE 6 AUDITOR'S REMUNERATION

Remuneration of the auditor of the company for:

- Auditing or reviewing the financial statements	27,284	28,078
- Other services	-	-
	27,284	28,078

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

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

NOTE 8 CASH AND CASH EQUIVALENTS

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

Reconciliation of cash

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

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

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

NOTE 9 RECEIVABLES

CURRENT

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

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

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

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

NOTE 15 FINANCIAL LIABILITIES

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

206,000	-
206,000	-

Refer also to Note 23 for related party transactions

NOTE 16 ISSUED CAPITAL

a. Shares

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

4,953,560	4,953,560
4,953,560	4,953,560

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

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

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

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

b. Options

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

c. Capital Risk Management

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

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

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

The company is not subject to externally imposed capital requirements.

NOTE 17 RESERVES

Share Based Payment Reserve

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

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

	2014	2013
	\$	\$

NOTE 18 CAPITAL AND LEASING COMMITMENTS

Operating Lease Commitments

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

Payable

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

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

NOTE 19 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent Liabilities

The company has no known contingent liabilities.

Contingent Assets

The company has no known contingent assets.

NOTE 20 SEGMENT REPORTING

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

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

b. Non-cash Financing and Investing Activities

There were no non-cash financing or investing activities

Note 22 Events After Balance Sheet Date

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

Note 23 Related Party Transactions

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

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

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

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

Note 24 Financial Risk Management

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

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

Credit Risk

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

Credit risk arises principally from cash investments and receivables.

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

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

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

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

All cash is held with the Commonwealth Bank of Australia.

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

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

Liquidity Risk

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

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

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

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

Maturity Analysis

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

Market Risk

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

Interest Rate Risk

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

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

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

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

Sensitivity Analysis

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

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

Fair Values

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

Note 25 Company Details

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

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

DIRECTOR'S DECLARATION

The directors of the company declare that:

1. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - a. Comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. Give a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date.
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures included in pages 6 to 9 of the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2014, comply with section 300A of the Corporations Act 2001.
5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

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



Director Donald Channer

Date 29 September 2014



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GPO Box 457 Brisbane QLD 4001
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INDEPENDENT AUDITOR'S REPORT

To the members of Medigard Ltd

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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



Opinion

In our opinion:

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

Emphasis of Matter

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

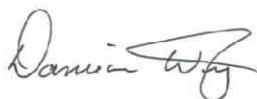
Report on the Remuneration Report

We have audited the Remuneration Report in pages 6 to 9 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

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

BDO Audit Pty Ltd

BDO


D P Wright

Director

Brisbane, 29 September 2014