



Annual Statutory Accounts

Year ended 30 June 2011

MEDIGARD LTD

ABN 49 090 003 044

Full Year Statutory Accounts

For the year ended 30 June 2011

| | |
|--|----|
| Directors' report..... | 3 |
| Auditor's Independence Declaration | 11 |
| Statement of comprehensive income..... | 12 |
| Statement of financial position | 13 |
| Statement of cash flows | 14 |
| Statement of changes in equity | 15 |
| Notes to the financial statements | 16 |
| Directors' declaration | 34 |
| Independent auditor's report..... | 35 |

Directors' Report

Your directors present their report on the company for the financial year ended 30 June 2011.

Directors

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

DONALD J CHANNER
PETER W CLARK
CHRISTOPHER JAN BISHOP
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

The following person held the position of company secretary at the end of the financial year:

Mrs Patricia Boero – Mrs Boero has had over thirty years experience as a chartered accountant and consultant. She was appointed company secretary on 17 March 2011, but has been the Chief Financial Officer of the company since 2004.

Principal Activities

The principal activities of the company during the year were the continuation of testing and recording required for the FDA approval for the 3ml syringe, further research and development on other products in our suite, and maintenance of all relevant patents.

Operating Results

The operating loss of the company after providing for income tax is \$638,390. (2010: \$400,158 loss).

Dividends Paid or Recommended

No dividends have been paid or declared for payment.

REVIEW OF OPERATIONS

Research and Development

FDA approval for the 3ml syringe has required significantly more testing and analysis than originally anticipated but the process is well underway and expected to be successful. In the meantime, the Company has been exploring new opportunities based on existing and related products.

Financial Position

The net assets of the company have increased from \$456,191 at 30 June 2010 to \$882,304 at 30 June 2011. This increase has resulted from the Medigard share issue.

Future Developments, Prospects and Business Strategies

The Company has been unable to raise sufficient funds for the commercialisation of the blood collection device. It is however continuing with the FDA approval for the 3ml syringe and other research and development of safety medical products.

The Company has been contacted by a large international manufacturer and distributor seeking to utilize its skills and patents to apply to a new range of medical devices in that sector. Medigard looks forward to the prospects contemplated from such an alliance.

The directors are continuing to explore all options for the commercialisation of the Company's existing products.

Significant Changes in State of Affairs

The capital raising which was intended to finance the Company's contribution to the cost of the manufacturing equipment for the Blood Collection Device unfortunately fell well short of the amount required to satisfy the contract.

After Balance Date Events

There are no significant after balance date events.

Environmental Issues

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

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

Information on Directors

| | | |
|--------------------------------|---|--|
| D J CHANNER | - | Chairman Non-executive |
| Qualifications | - | Bachelor of Engineering (University of Queensland) |
| Experience | - | Appointed Chairman at incorporation. He has been involved in many private companies as both director and chairman. |
| Interest in Shares and Options | | 27,117,692 ordinary shares in Medigard Limited and 4,566,004 shares held by an associated entity Sun Sea Pty Ltd as trustee for the Sun Sea Investment Trust. No options are held. |

MEDIGARD LIMITED
ABN 49 090 003 044

| | |
|--------------------------------|--|
| Special Responsibilities | - Member of the Nomination and Remuneration Committee |
| | - Member of the Finance Committee |
| Other Directorships | - No directorships of other listed entities within last three years. |
| P W CLARK | - Executive |
| Qualifications | - Bachelor of Science (University of Queensland) |
| | - Doctor of Philosophy (Indiana University) |
| | - Master of Business Administration (University of Queensland) |
| Experience | - Board member since incorporation. Significant experience as Business Consultant specialising in innovation commercialisation, business planning, market research, analysis and reports |
| Interest in Shares and Options | 7,268,687 ordinary shares in Medigard Limited, holds 41,659 shares in Medigard jointly with his spouse and 104,132 shares held by spouse. No options are held. |
| Special Responsibilities | - Chairman of the Nomination and Remuneration Committee |
| | - Chairman of the Audit and Risk Committee |
| Other Directorships | - No directorships of other listed entities within last three years. |
| C J BISHOP | - Non-executive |
| 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 | - Member of the Audit and Risk Committee |
| | - Member of the Nomination and Remuneration Committee |
| | - Chairman of the Finance Committee |
| Other Directorships | - No directorships of other listed entities within last three years. |
| P M BOERO | - Alternate director for D J Channer (Non-executive) |
| Qualifications | - Bachelor of Business (University of Central Queensland) |
| | - Chartered Accountant |
| 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. 1,500,000 unlisted options and no listed 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 and Peter Emery. There were no executives of the company other than those included as part of key management personnel.

Remuneration Policy

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

The directors receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

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

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

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|-----------------------------------|-------------|---------------|-------------|-------------|-------------|
| Revenue | \$151,716 | \$135,590 | \$71,620 | \$30,180 | \$31,124 |
| Net profit/(loss) | (\$264,957) | (\$1,258,995) | (\$761,323) | (\$400,158) | (\$638,390) |
| Change in share price at year end | 7.4c | (7c) | 3c | 4c | (9.7c) |
| Dividends paid per share | - | - | - | - | - |
| Return on capital employed | (13.10%) | (99.67%) | (91.37%) | (87.72%) | (72.35%) |

MEDIGARD LIMITED
ABN 49 090 003 044

Details of remuneration for year ended 30 June 2011

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

2011

| Director | Short Term Benefits Cash Salary | Post Employ- ment Benefits Super- annuation | Share Based Payment Equity Settled | Total | % share based payments |
|--|--|--|---|--------------|-----------------------------------|
| | \$ | \$ | \$ | \$ | |
| Mr D J Channer | 32,083 | 2,888 | - | 34,971 | - |
| Dr P W Clark | 52,083 | 9,229 | - | 61,312 | - |
| Dr C J Bishop | 18,229 | 1,641 | - | 19,870 | - |
| Mrs P M Boero (appointed company secretary 17/03/11) | 46,900 | - | - | 46,900 | - |
| | 149,295 | 13,758 | | 163,053 | - |

Other Key Management Personnel

| | | | | | |
|--|---------|--------|---|---------|---|
| Mr P M Emery – CEO & Company Secretary (resigned 17/03/11) | 92,235 | - | - | 92,235 | - |
| | 241,530 | 13,758 | | 255,288 | - |

2010

| | | | | | |
|----------------|---------|--------|---|---------|---|
| Mr D J Channer | 19,250 | 3,713 | - | 22,963 | - |
| Dr P W Clark | 69,063 | 7,594 | - | 76,657 | - |
| Dr C J Bishop | 10,937 | 2,109 | - | 13,046 | - |
| Mrs P M Boero | 18,000 | - | - | 18,000 | - |
| | 117,250 | 13,416 | | 130,666 | - |

Other Key Management Personnel

| | | | | | |
|--|---------|--------|---|---------|---|
| Mr P M Emery – CEO & Company Secretary | 75,775 | - | - | 75,775 | - |
| | 193,025 | 13,416 | | 206,441 | - |

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 |

P W Clark

| | |
|---------------------|---|
| 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 |

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 |

P M Boero

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

This is the end of the remuneration report.

MEDIGARD LIMITED
ABN 49 090 003 044

Meetings of Directors

During the financial year, twelve meetings of directors were held. Five committee meetings were held during that time. Attendances by each director during the year were:

| Directors | Director's Meetings | | Committee Meetings | | | | | |
|--------------|---------------------------|-----------------|---------------------------|-----------------|---------------------------|-----------------|---------------------------|-----------------|
| | | | Audit & Risk | | Finance | | Nomination & Remuneration | |
| | Number eligible to attend | Number Attended | Number eligible to attend | Number Attended | Number eligible to attend | Number Attended | Number eligible to attend | Number Attended |
| D.J. CHANNER | 12 | 12 | 0 | 0 | 1 | 1 | 3 | 3 |
| P. W. CLARK | 12 | 12 | 1 | 1 | 0 | 0 | 3 | 3 |
| C J BISHOP | 12 | 12 | 1 | 1 | 1 | 1 | 3 | 3 |
| P.M. BOERO | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 0 |

Indemnifying Officers or Auditor

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

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

- Donald J Channer
- Peter W Clark
- Christopher J Bishop
- Patricia M Boero

The total premium paid was \$9,389 (2010: \$9,230).

The company has not indemnified nor insured the auditors.

Options

As at the date of this report the unissued ordinary shares of Medigard Limited under options are as follows:

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

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 options exercised 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.

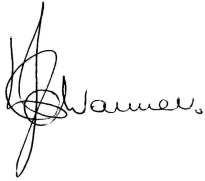
The company was not a party to any such proceedings during the year.

Non-audit Services

No fees were paid to the external auditors for non-audit services during the year ended 30 June 2011.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on the following page.



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

Director Donald J Channer

Date 28 September 2011

DECLARATION OF INDEPENDENCE BY M R JUST TO THE DIRECTORS OF MEDIGARD LIMITED

As lead auditor of Medigard Limited for the period ended 30 June 2011, 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.



M R Just

Director

BDO Audit (QLD) Pty Ltd

Brisbane, 28 September 2011

MEDIGARD LIMITED
ABN 49 090 003 044

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

| | | 2011 | 2010 |
|--|---|-----------|-----------|
| | | \$ | \$ |
| Revenue | 2 | 31,244 | 30,180 |
| Other income | 2 | 135,483 | 255,652 |
| Depreciation and amortisation expense | 3 | (50,299) | (44,831) |
| Finance costs | | (2,225) | (7,544) |
| Other expenses | 3 | (752,593) | (633,615) |
| Loss before income tax expense | 3 | (638,390) | (400,158) |
| Income tax expense | 4 | - | - |
| Net Loss for the year after income tax expense | | (638,390) | (400,158) |
| Other Comprehensive Income | | - | - |
| Total Comprehensive Income | | (638,390) | (400,158) |
| Basic & diluted earnings per share (cents per share) | 7 | (0.72) | (0.54) |

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

MEDIGARD LIMITED
ABN 49 090 003 044

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

| | | 2011 | 2010 |
|----------------------------------|----|----------------|----------------|
| | | \$ | \$ |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 8 | 613,262 | 302,039 |
| Trade and other receivables | 9 | 66,258 | 15,209 |
| Other financial assets | 10 | - | 62,500 |
| Other current assets | 11 | 11,143 | 3,806 |
| TOTAL CURRENT ASSETS | | 690,663 | 383,554 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 12 | 29,471 | 7,918 |
| Intangible assets | 13 | 202,758 | 202,651 |
| Other non current assets | 14 | 10,560 | 10,560 |
| TOTAL NON-CURRENT ASSETS | | 242,789 | 221,129 |
| TOTAL ASSETS | | 933,452 | 604,683 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 15 | 51,148 | 37,758 |
| Interest bearing liabilities | 16 | - | 110,734 |
| TOTAL CURRENT LIABILITIES | | 51,148 | 148,492 |
| TOTAL LIABILITIES | | 51,148 | 148,492 |
| NET ASSETS | | 882,304 | 456,191 |
| EQUITY | | | |
| Issued capital | 17 | 4,953,560 | 3,889,057 |
| Reserves | | 519,837 | 519,837 |
| Accumulated losses | | (4,591,093) | (3,952,703) |
| TOTAL EQUITY | | 882,304 | 456,191 |

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

MEDIGARD LIMITED
ABN 49 090 003 044

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

| | 2011 | 2010 |
|---|-------------------------|-----------------------|
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Payments to suppliers and employees | (800,235) | (729,098) |
| Research and development tax offset | - | 173,961 |
| Export market development grant | 72,362 | - |
| GST refunded | 63,808 | 42,709 |
| Interest received | 31,244 | 30,180 |
| Interest paid | (2,225) | |
| Net cash used in operating activities | 22a <u>(635,046)</u> | <u>(482,248)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of investments | 64,460 | 512,021 |
| Purchase of property, plant and equipment | (26,927) | - |
| Purchase of other non-current assets | (45,033) | (27,202) |
| Net cash provided by (used in) investing activities | <u>(7,500)</u> | <u>484,819</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of shares | 1,102,490 | 35,524 |
| Payment for costs of share issues | (37,987) | (12,430) |
| Repayment of loans | (110,734) | - |
| Net cash provided by financing activities | <u>953,769</u> | <u>23,094</u> |
| Net increase/(decrease) in cash held | 311,223 | 25,665 |
| Cash at 1 July 2010 | 302,039 | 276,374 |
| Cash at 30 June 2011 | 8 <u>613,262</u> | <u>302,039</u> |

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

MEDIGARD LIMITED
ABN 49 090 003 044

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

| | Issued Capital | Accumulated Losses | Share Based Payment Reserve | Total Equity |
|---|------------------|-----------------------|-----------------------------------|----------------|
| | \$ | \$ | \$ | \$ |
| At 1 July 2009 | 3,865,963 | (3,552,545) | 519,837 | 833,255 |
| Loss for the Year | - | (400,158) | - | (400,158) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | - | (400,158) | - | (400,158) |
| Transactions with owners in their capacity as owners | | | | |
| Issue of Shares | 35,524 | - | - | 35,524 |
| Cost of Share Issue | (12,430) | - | - | (12,430) |
| At 30 June 2010 | 3,889,057 | (3,952,703) | 519,837 | 456,191 |
| Loss for the Year | - | (638,390) | - | (638,390) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | - | (638,390) | - | (638,390) |
| Transactions with owners in their capacity as owners | | | | |
| Issue of Shares | 1,102,490 | - | - | 1,102,490 |
| Cost of Share Issue | (37,987) | - | - | (37,987) |
| At 30 June 2011 | 4,953,560 | (4,591,093) | 519,837 | 882,304 |

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 2011

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 28 September 2011.

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 modified by the revaluation of selected assets for which the fair value basis of accounting has been applied.

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 ability of the company to continue to adopt the going concern assumption will depend upon Medigard's maintenance of alliances with companies seeking its research and development know how and the commercialisation of products resulting from such alliances.

The ability of the company to continue to adopt the going concern assumption is also dependent on the company being able to raise capital as and when required.

Accounting Policies

a Income Tax

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

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

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

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

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

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

b Plant and Equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(1) for details of impairment).

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

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

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

| | |
|---------------------|-----------|
| Plant and equipment | 20% - 40% |
|---------------------|-----------|

c Financial Instruments

Recognition

Financial instruments are initially measured at fair value on trade date, which includes transaction costs (except for financial assets at fair value through profit or loss for which transaction costs are immediately expensed), 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-derivate financial instruments. Subsequent to initial recognition, they are recognised at amortised cost using the effective interest method less any impairment losses.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term, or when they are designated by management and within the requirement of AASB 139: Financial Instruments: Recognition and Measurement. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in profit and loss in the period in which they arise.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

d Fair Value

Fair value is determined based on current bid prices for all quoted investments and pricing models for unlisted instruments. Valuation techniques are applied to determine the fair value for all unlisted instruments, including recent arm's length transactions, reference to similar instruments and option pricing models (refer Note 25 for further details).

e Intangibles

Patents and Trademarks

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

Research and Development Expenditure

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

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

f Equity-settled Compensation

The company operates a share-based compensation plan. 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 on a proportional basis taking into account the interest rates applicable to the financial assets.

Net gains/losses on financial assets at fair value through profit or loss exclude any interest income earned in relation to the financial assets.

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 following new and amended standards and interpretations are mandatory for the first time for the financial year beginning 1 July 2010:

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions*
- AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues*
- AASB Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments and related amendments*; and
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from Annual Improvements Project.*

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 2010, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements, except for the following:

(i) AASB 9 Financial Instruments (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It simplifies the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Financial assets are to be classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

(ii) AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective from 1 July 2011)

Amendments made to AASB 7 Financial Instruments: Disclosures introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The Company has not yet determined the extent of the impact on its disclosures.

(iii) AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)

The amendments made to AASB 112 Income Taxes provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. Under AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. However, it is often difficult and subjective to determine the expected manner of recovery when the investment property is measured using the fair value model. To provide a practical approach in such cases, the amendments introduce a rebuttable presumption that an investment property is recovered entirely through sale. The Company does not plan to adopt this amendment early and the extent of the impact has not been determined.

In addition to the above, new and amended standards dealing with Consolidated Financial Statements, Separate Financial Statements, Joint Arrangements, Disclosure of Interests in Other Entities and Fair Value Measurement have recently been released. These standards are effective from 1 January 2013. The Company does not plan to adopt these standards early nor has the extent of their impact been determined.

MEDIGARD LIMITED
ABN 49 090 003 044

| | 2011 | 2010 |
|---|---------|---------|
| | \$ | \$ |
| Note 2 Revenue and Other Income | | |
| Revenue | | |
| - Interest received – cash at bank | 31,244 | 4,799 |
| - Interest received – financial instruments | - | 25,381 |
| | 31,244 | 30,180 |
| Other Income | | |
| - Research & development tax offset | 61,161 | 76,078 |
| - Export market development grant | 72,362 | - |
| - Gain on Sale of Financial Assets | 1,960 | 169,824 |
| - Fair value gain on financial assets at fair value through profit and loss | - | 9,750 |
| | 135,483 | 255,652 |
| Note 3 Loss for the Year | | |
| Expenses: | | |
| Depreciation of non-current assets: | | |
| - Plant and equipment | 5,374 | 2,965 |
| Total depreciation | 5,374 | 2,965 |
| Amortisation of non-current assets | | |
| - Patents & trademarks | 44,925 | 41,866 |
| Total amortisation | 44,925 | 41,866 |
| Total depreciation and amortisation | 50,299 | 44,831 |
| Rental expense – minimum lease payments | 27,500 | 24,690 |
| Research and development costs | 194,473 | 127,327 |
| Consulting fees | 140,961 | 75,775 |
| Employee benefits expense | 101,621 | 99,251 |
| Defined contribution superannuation expense | 17,780 | 11,718 |
| Fees & permits | 79,536 | 37,371 |
| Other expenses | 190,722 | 257,483 |
| | 752,593 | 633,615 |

MEDIGARD LIMITED
ABN 49 090 003 044

Note 4 Income Tax

| | 2011 | 2010 |
|---|-----------|-----------|
| | \$ | \$ |
| The prima facie tax on loss before income tax is reconciled to the income tax as follows: | | |
| Prima facie tax benefit on loss before income tax at 30% (2010: 30%) | 191,517 | 120,047 |
| Tax effect of non deductible items | 18,348 | 22,824 |
| Income tax credit attributable to company | 209,865 | 142,871 |
| Deferred tax assets not recognised | (209,865) | (142,871) |
| Income Tax Expense | - | - |
| Unrecognised deferred tax assets | | |
| Unrecognised tax losses and temporary differences | 2,497,450 | 1,797,900 |
| Deferred tax assets not taken up at 30% (2010: 30%) | 749,235 | 539,370 |

There are no franking credits available.

Note 5 Key Management Personnel

a. Compensation

| | | |
|------------------------------|---------|---------|
| Short term employee benefits | 241,530 | 193,025 |
| Post employment benefits | 13,758 | 13,416 |
| | 255,288 | 206,441 |

b. Options Holdings

Number of Options Held by Key Management Personnel

| | Balance 1.07.2010 | Granted as Compen- sation | Options Exercised | Expired during year | Balance 30.06.2011 | Total Vested and Exercisable 30.06.2011 |
|------------------------------------|----------------------|---------------------------------|----------------------|------------------------|-----------------------|--|
| Mr D J Channer | - | - | - | - | - | - |
| Dr P W Clark | - | - | - | - | - | - |
| Dr C J Bishop | - | - | - | - | - | - |
| Mrs P M Boero | 1,500,000 | - | - | - | 1,500,000 | 1,500,000 |
| Mr P M Emery (resigned 17/3/11) | 2,500,000 | - | - | - | 2,500,000 | 2,500,000 |
| | 4,000,000 | - | - | - | 4,000,000 | 4,000,000 |

MEDIGARD LIMITED
ABN 49 090 003 044

| | Balance 1.07.2009 | Granted as Compen- sation | Options Exercised | Expired during year | Balance 30.06.2010 | Total Vested and Exercisable 30.06.2010 |
|----------------|----------------------|---------------------------------|----------------------|------------------------|-----------------------|--|
| Mr D J Channer | 10,561,232 | - | - | (10,561,232) | - | - |
| Dr P W Clark | 2,571,493 | - | - | (2,571,493) | - | - |
| Dr C J Bishop | 94,445 | - | - | (94,445) | - | - |
| Mrs P M Boero | 1,750,276 | - | - | (250,276) | 1,500,000 | 1,500,000 |
| Mr P M Emery | 2,630,139 | - | - | (130,139) | 2,500,000 | 2,500,000 |
| | <u>17,607,585</u> | - | - | <u>(13,607,585)</u> | <u>4,000,000</u> | <u>4,000,000</u> |

Note All options issued to key personnel vested on grant date.

c. Shareholdings

Number of Shares Held by Key Management Personnel

| | Balance 1.7.2010 | Granted as Compen- sation | Options Exercised | Net Change Other | Balance 30.06.2011 |
|------------------------------------|---------------------|---------------------------------|----------------------|---------------------|-----------------------|
| Mr D J Channer | 31,683,696 | - | - | - | 31,683,696 |
| Dr P W Clark | 7,514,478 | - | - | (100,000) | 7,414,478 |
| Dr C J Bishop | 283,334 | - | - | - | 283,334 |
| Mr P M Emery (resigned 17/3/11) | 390,416 | - | - | - | 390,416 |
| | <u>40,622,753</u> | - | - | <u>(75,000)</u> | <u>40,547,753</u> |

| | Balance 1.7.2009 | Granted as Compen- sation | Options Exercised | Net Change Other | Balance 30.06.2010 |
|----------------|---------------------|---------------------------------|----------------------|---------------------|-----------------------|
| Mr D J Channer | 31,683,696 | - | - | - | 31,683,696 |
| Dr P W Clark | 7,714,478 | - | - | (200,000) | 7,514,478 |
| Dr C J Bishop | 283,334 | - | - | - | 283,334 |
| Mrs P M Boero | 750,829 | - | - | - | 750,829 |
| Mr P M Emery | 390,416 | - | - | - | 390,416 |
| | <u>40,822,753</u> | - | - | <u>(200,000)</u> | <u>40,622,753</u> |

Refer also to Note 24 for related party transactions.

MEDIGARD LIMITED
ABN 49 090 003 044

| | 2011 | 2010 |
|--|--------|--------|
| | \$ | \$ |
| Note 6 Auditor's remuneration | | |
| Remuneration of the auditor of the company for: | | |
| - auditing or reviewing the financial statements | 28,005 | 23,490 |
| - other services | - | - |
| | 28,005 | 23,490 |

Note 7 Earnings per Share

| | | |
|---|------------|------------|
| a. Reconciliation of Earnings to Net Loss | | |
| Net Loss | (638,390) | (400,158) |
| Earnings used in the calculation of basic and diluted EPS | (638,390) | (400,158) |
| b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted EPS | | |
| | 88,665,278 | 73,823,143 |

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 | 613,262 | 302,039 |
| | 613,262 | 302,039 |
| 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 | 613,262 | 302,039 |

The effective interest rate on short-term bank deposits was 4.5% (2010: 4.5%).

Note 9 Receivables

| | | |
|---------------------|--------|--------|
| CURRENT | | |
| Short Term Deposits | 3,357 | 500 |
| Other Debtors | 62,901 | 14,709 |
| | 66,258 | 15,209 |

No receivables are past due or impaired at year end.

MEDIGARD LIMITED
ABN 49 090 003 044

| Note 10 Other Financial Assets | 2011 | 2010 |
|--|-------------|-------------|
| | \$ | \$ |
| CURRENT | | |
| Investments held at fair value through profit and loss | | |
| Floating Rate Interest Rate Securities – listed, at market value | - | 62,500 |
| | - | 62,500 |
| <hr/> | | |
| Note 11 Other Current Assets | | |
| Prepayments | 11,143 | 3,806 |
| <hr/> | | |
| Note 12 Property Plant and Equipment | | |
| Plant and Equipment – at cost | 82,026 | 55,099 |
| Accumulated depreciation | (52,555) | (47,181) |
| Carrying amount | 29,471 | 7,918 |
| <hr/> | | |
| Balance at beginning of the year | 7,918 | 10,883 |
| Additions – at cost | 26,927 | - |
| Disposal | - | - |
| Depreciation | (5,374) | (2,965) |
| Carrying amount at the end of the year | 29,471 | 7,918 |
| <hr/> | | |
| Note 13 Intangible Assets | | |
| Patents, and trademarks – at cost | 437,943 | 392,911 |
| Accumulated amortisation | (235,185) | (190,260) |
| | 202,758 | 202,651 |
| <hr/> | | |
| Balance at beginning of year | 202,651 | 217,314 |
| Additions – at cost | 45,032 | 27,203 |
| Amortisation | (44,925) | (41,866) |
| Carrying amount at the end of the year | 202,758 | 202,651 |
| <hr/> | | |
| Note 14 Other Non-Current Assets | | |
| Development – at cost | 10,560 | 10,560 |
| Accumulated Amortisation | - | - |
| | 10,560 | 10,560 |
| <hr/> | | |

MEDIGARD LIMITED
ABN 49 090 003 044

| Note 15 Trade and Other Payables | 2011 | 2010 |
|---|-------------|-------------|
| | \$ | \$ |
| CURRENT | | |
| Unsecured Liabilities | | |
| Trade Creditors | 28,381 | 24,116 |
| Sundry Creditors and Accrued Expenses | 22,767 | 13,642 |
| | 51,148 | 37,758 |

Note 16 Interest Bearing Liabilities

| | | |
|------------------------------|---|---------|
| CURRENT | | |
| Unsecured Loan – D J Channer | - | 110,734 |

Refer to Note 24 for details of the terms and conditions of this loan.

Note 17 Issued Capital

| | | |
|---|-----------|-----------|
| a. 91,007,472 (2010: 74,046,091) fully paid ordinary shares | 4,953,560 | 3,889,057 |
| | 4,953,560 | 3,889,057 |

| | 2011 | 2010 |
|--|-------------|-------------|
| | No. | No. |
| At the beginning of the reporting period | 74,046,091 | 73,750,055 |
| Ordinary shares issued during the year | | |
| Renounceable Rights Issue | | |
| - 30 August 2010 | 16,284,981 | - |
| - 10 September 2010 | 500,400 | - |
| - 15 October 2010 | 16,000 | - |
| - 26 October 2010 | 160,000 | - |
| Options exercised | - | 296,036 |
| At reporting date | 91,007,472 | 74,046,091 |

| | 2011 | 2010 |
|--|-------------|-------------|
| | \$ | \$ |
| At the beginning of the reporting period | 3,889,057 | 3,865,963 |
| Ordinary shares issued during the year | | |
| Renounceable Rights Issue | | |
| - 30 August 2010 | 1,020,537 | - |
| - 10 September 2010 | 32,526 | - |
| - 15 October 2010 | 1,040 | - |
| - 26 October 2010 | 10,400 | - |
| Options exercised | - | 23,094 |
| At reporting date | 4,953,560 | 3,889,057 |

MEDIGARD LIMITED
ABN 49 090 003 044

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 2011 the unissued ordinary shares of Medigard Limited under options were as follows:

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

As at 30 June 2010 the unissued ordinary shares of Medigard Limited under options were as follows:

| Grant Date | Date of expiry | Exercise price | Number |
|------------|----------------|----------------|------------------|
| 17/08/2007 | 17/08/2012 | \$0.20 | 6,750,000 |
| 17/01/2008 | 17/01/2011 | \$0.20 | 850,000 |
| | | | <u>7,600,000</u> |

c. Capital Risk Management

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

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

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

The company is not subject to externally imposed capital requirements.

Note 18 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.

MEDIGARD LIMITED
ABN 49 090 003 044

| Note 19 Capital and Leasing Commitments | 2011 | 2010 |
|---|-------------|-------------|
| | \$ | \$ |
| Operating Lease Commitments | | |
| Non cancellable operating leases contracted for but not capitalised in the financial statements | | |
| Payable | | |
| - not later than 1 year | 34,440 | 16,180 |
| - later than 1 year but not later than 5 years | 48,790 | 30,020 |
| - later than 5 years | - | - |
| | 83,230 | 46,200 |

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

Note 20 Contingent Liabilities and Contingent Assets

Contingent Liabilities

The company has no known contingent liabilities.

Contingent Assets

The company has no known contingent assets

Note 21 Segment Reporting

The company operates within Australia predominantly in one segment – the development of innovative medical instruments. Reports reviewed by the executive management committee (the chief operating decision maker) do not differ from that of the company as a whole and no reportable segments exist.

| Note 22 Cash Flow Information | 2011 | 2010 |
|--|-------------|-------------|
| | \$ | \$ |
| a. Reconciliation of Cash Flow from Operations with Loss after Income Tax | | |
| Loss after income tax | (638,390) | (400,158) |
| Non-cash flows in loss | | |
| Amortisation | 44,925 | 41,866 |
| Depreciation | 5,374 | 2,965 |
| Movement in market value of investments | - | (9,750) |
| Gain on sale of investments | (1,960) | (169,824) |
| Changes in operating assets and liabilities, | | |
| (Increase)/decrease in trade and other receivables | (51,048) | 93,599 |
| (Increase)/decrease in prepayments | (7,337) | 655 |
| Increase/(decrease) in trade creditors and accruals | 13,390 | (41,601) |
| Cash flows from operations | (635,046) | (482,248) |

b. Non-cash Financing and Investing Activities

There were no non-cash financing or investing activities.

Note 23 Events After Balance Sheet Date

There have been no significant events since balance sheet date.

Note 24 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.

| | 2011 | 2010 |
|--|-----------|----------------|
| | \$ | \$ |
| Transactions with related parties: | | |
| (i) Director-related Entities | | |
| Office rental paid to Channer Hook Unit Trust of which Donald Channer is a trustee | 16,020 | 24,690 |
| (ii) Interest bearing loan from Donald Channer | | |
| Balance of loan at beginning of year | 110,734 | 103,190 |
| Interest expense for the year | 2,225 | 7,549 |
| Amount paid during the year | (112,959) | - |
| Balance of loan at end of year | <u>-</u> | <u>110,734</u> |

The interest charged on the loan ranged from 7% to 8.5%. The loan was repaid on 11 October 2010.

Note 25 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 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 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.

Summary quantitative data – Floating rate notes

| | Face Value | Book Value | Effective interest rate |
|-------------------|-------------------|-------------------|--------------------------------|
| 2011 | | | |
| Listed Securities | - | - | n/a |
| 2010 | | | |
| Listed Securities | 100,000 | 62,500 | 0.84% |

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.

MEDIGARD LIMITED
ABN 49 090 003 044

Maturity Analysis

| | Within 1 Year | | 1 to 5 years | |
|------------------------------------|---------------|---------|--------------|------|
| | 2011 | 2010 | 2011 | 2010 |
| | \$ | \$ | \$ | \$ |
| Financial Liabilities | | | | |
| Trade and Other Payables | 51,148 | 37,758 | - | - |
| Unsecured Loan | - | 110,734 | - | - |
| Total Financial Liabilities | 51,148 | 148,492 | - | - |

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.

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 2011 | 6,384 | -6,384 | 6,384 | -6,384 |
| 30 June 2010 | 4,020 | -4,020 | 4,020 | -4,020 |

Fair Values

The carrying value of assets and liabilities as disclosed in the Statement of Financial Position approximate their fair value. In 2010, the fair value of the listed Floating Interest Rate Securities was based on the quoted market offer price at balance date.

Fair Value Hierarchy

The following table classifies financial instruments recognised in the statement of financial position according to the hierarchy stipulated in AASB 7 as follows:

| | Level 1 | Level 2 |
|--------------------------------------|---------|---------|
| 2011 | | |
| Fair value through profit and loss | | |
| Listed floating rate note securities | - | - |
| 2010 | | |
| Fair value through profit and loss | | |
| Listed floating rate note securities | 62,500 | - |
| | 62,500 | - |
| | 62,500 | - |

Note 26 Company Details

The registered office of the company is:

MEDIGARD LIMITED
LEVEL 5 HQ
58 RIVERWALK AVENUE
ROBINA QLD 4226

The principal place of business is:

MEDIGARD LIMITED
LEVEL 5 HQ
58 RIVERWALK AVENUE
ROBINA QLD 4226

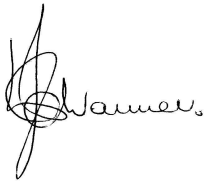
MEDIGARD LIMITED
ABN 49 090 003 044

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - I. Comply with Accounting Standards and the Corporations Regulations 2001; and
 - II. Give a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date.
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures included in pages 6 to 8 of the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2011, 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:



D J Channer
Director

INDEPENDENT AUDITOR'S REPORT

To the members of Medigard Limited

Report on the Financial Report

We have audited the accompanying financial report of Medigard Limited, which comprises the statement of financial position as at 30 June 2011, the statement of 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 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 entity'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 entity'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 Limited, 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 Limited 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 2011 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 qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the ability of the company to continue to adopt the going concern basis of accounting, to maintain continuity of normal business activities, and to pay its debts as and when they fall due, is dependent on maintenance of alliances with companies seeking its research and development know how and 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 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. No adjustments have been made to the carrying value of assets of the recorded amount of liabilities should the company's plans not eventuate.

Report on Remuneration Report

We have audited the Remuneration Report included in pages 5 to 8 of the directors' report for the year ended 30 June 2011. 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 Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

BDO Audit (QLD) Pty Ltd

BDO.


M R Just
Director

Brisbane, 28 September 2011