



# ANNUAL REPORT 2009



“We aspire to produce the best and most economical medical devices in the world.”

Donald Channer, Chairman, Medigard.



## CORPORATE DIRECTORY

### DIRECTORS AND EXECUTIVE

Donald Julian Channer - Non-Executive Chairman  
Dr Peter William Clark - Executive Director  
Dr Christopher Jan Bishop - Non-Executive Director  
Peter Mark Emery - Chief Executive Officer  
and Company Secretary  
Patricia Mary Boero - Chief Financial Officer

### ADMINISTRATION

Medigard Limited  
Suite 14A, Tedder Terraces  
26-30 Tedder Ave, Main Beach Qld 4217

### SOLICITORS

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

### INDEPENDENT ACCOUNTANT AND AUDITOR

BDO Kendalls  
Level 18, 300 Queen Street, Brisbane Qld 4000

### SHARE REGISTRY

Registries Limited  
Level 7, 207 Kent Street, Sydney NSW 2000

### PATENT ATTORNEY

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

### ANNUAL GENERAL MEETING

The Annual General Meeting of Medigard Limited  
will be held on Wednesday 25 November, 2009  
at The Polo Club, Brisbane commencing at 6.00pm.

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# WHAT WE HAVE ACHIEVED

**5 FEB 04**

Medigard lists on ASX at 135% premium. A\$3.4m raised.

**23 JUL 04**

Medigard receives Queensland Industry Development Scheme (QIDS) grant from the State Government.

**26 APR 05**

Medigard receives Australian Design Award for its Blood Collection Device (BCD).

**2 AUG 05**

Medigard receives second QIDS grant.

**9 JUL 08**

Medigard appoints Genomic Research Centre (GRC), Griffith University, to perform simulated clinical trials on BCD.

**27 AUG 08**

Simulated clinical trials are 100% successful and GRC praise Medigard for safety and ease of use.

**24 SEPT 08**

Grant of Australian patent for BCD.

**19 JAN 09**

Approval granted by Food and Drug Administration (FDA) in US for BCD.

**11 FEB 09**

Medigard announces Share Purchase Plan (SPP) and loyalty options.

**10 MAR 09**

Product evaluations begin in major US hospitals.

**2 APR 09**

SPP raises A\$360,000 and Medigard issues 6,000,055 additional shares.

**2 APR 09**

Issue of prospectus for 24,583,352 loyalty options free to all shareholders.

**10 JUNE 09**

Grant of US patent for BCD.

"In the past year, Medigard has secured a US patent, approval from the FDA, and is currently negotiating agreements for the manufacture and distribution of its Blood Collection Device (BCD) in the United States."

Peter M Emery, Chief Executive Officer, Medigard

SIGNIFICANT  
MILESTONES TIMELINE



Dear Shareholders,

Medigard, after much patience from both shareholders and staff – most of whom have been with us since inception – has completed its mandate to develop a revolutionary suite of safety medical instruments, and I would like to thank you all. We stand now at the brink of commercialisation, with negotiations well advanced with two substantial US companies – one for the sales and distribution of our products, the other for manufacture.

On many occasions in our endeavours, we were persuaded to “sign off” on “deals” with a number of manufacturing powerhouses, (not necessarily powerhouses of quality performance) but we believe the strong US market and salesmanship offers the best opportunity for success.

The agreements contemplated are for our Blood Collection Device and range of Retractable Syringes, which are exclusive to, and bounded by, the North American continent. The opportunities in Europe, the East and here in Australia will ensue with the benefit of the strength of our US roll out.

Commercial reward will occur as quickly as can be negotiated with our alliance partners, and in the meantime we are encouraged to expand the Company’s range of products. The current “partners” have sought the first “right of refusal” of products we have foreshadowed, however it’s an open market and we are confident the instruments we deliver will be enormously successful.

We have ridden the financial storm – not without hurt – and a capital raising mid-year was marginally successful and has us comfortable, but not sufficiently funded, to go forward with all of our plans. With the current options of our shareholders to take larger holdings in Medigard, the strength of our share market price will influence the Company’s position and decisions. The exercise date is March 2010 – please keep it in mind as we would be disappointed if you missed the opportunity.

As you know from previous reports, we are lucky to have had such a loyal, competent and professional team, who have delivered probity of governance and economy of purchase. Together, we can be confident of a successful future for the Company.

Yours sincerely,

A handwritten signature in black ink, which appears to read "Donald Channer".

Donald Channer  
Chairman



In the past year, Medigard has secured a US patent, approval from the FDA, and is currently negotiating agreements for the manufacture and distribution of its Blood Collection Device (BCD) in the United States. These agreements will commercialise Medigard's proprietary technology, support our key business strategy of US market penetration, and have the potential to provide a significant revenue stream over the coming years.

#### PRODUCT MILESTONES

In June 2009, Medigard received advice that its BCD patent application in the US had been granted. This supports the existing Australian patent for the BCD that has been in place since September 2008. The US patent followed strong and positive US patent attorney opinion, testifying to the strength of the patent sought. To support the US patent, Medigard also received approval from the US Food and Drug Administration (FDA) to market the BCD in the US.

This year, product evaluations carried out in several major US hospitals and clinics have yielded very positive results. In most cases, respondents indicated a strong preference for the Medigard BCD over the product they currently use.

This year, we produced our other key product, the Medigard Vacuum Retractable Syringe in sufficient quantities to enable clinical trials, standards testing and bio-compatibility.

In August, Medigard commenced the gathering of information and testing necessary for the trials, which are required for an application to the US FDA. An approval is expected in the first half of 2010. A marketing program similar to the campaign developed for the BCD will commence immediately after FDA approval early next year.

In the year ahead, 1mL, 5mL and 10mL syringes will be fast tracked to provide a complete suite of syringe products to the market. These new products will be supported by a product pipeline that includes a Manual Retractable Syringe, Intravenous Valve, and various Pre-filled Auto-retract Syringes to ensure continued product expansion.

#### MANUFACTURE AND DISTRIBUTION

During most of the current calendar year, Medigard has been in discussions with medical device manufacturers and distributors in the US. It is our intention to partner with one or more companies, to bring Medigard's products to market.

In recent times these discussions have reached a more formal and critical stage. It should be stressed that no agreement has yet been reached with either a manufacturer or distributor but negotiations are continuing. If concluded satisfactorily, the agreements will result in Medigard's ability to outsource both manufacture and distribution in the US market and later move into other key markets.

We remain hopeful of a successful conclusion to negotiations.

## CHIEF EXECUTIVE OFFICER'S REPORT

#### FINANCIAL PERFORMANCE

Medigard's low rate of capital depletion has continued throughout the year. We raised \$360,000 from a Share Purchase Plan earlier this year that allowed the Company to continue its operations. Further capital raisings are expected in the year ahead to support future growth on the back of manufacturing and distribution agreements in the US.

Our financial performance this year has seen a net loss of \$761,323, down some 40 percent on the loss of \$1,258,995 in the previous year.

Our income for the past year includes interest earned on invested securities and funds received by way of Research and Development Tax Offset. As Medigard is still in development mode, no sales have yet been made. The value of the floating rate notes has recovered in part and some have been sold throughout the year.

#### THE WAY FORWARD

The recent successful product milestones and a partnership with US manufacturers and distributors will mark the beginning of a new phase in the life of Medigard.

In the year ahead, the team will work to secure regulatory approval in key international jurisdictions including Europe, the Middle East and Asia.

In the meantime, we intend to strengthen our balance sheet with one or more forms of capital-raising and reinforce our investment base as we grow the Company.

Finally, I would like to pay particular tribute to our shareholders and staff for the support, commitment and loyalty. Although much remains to be done to ensure consistent progress, the future looks bright and the loyalty of our supporters should start to see rewards over the coming year.

**Peter M Emery**  
Chief Executive Officer

"Medigard received a strong and positive US patent attorney opinion, testifying to the strength of the patent sought. To support the US patent Medigard also received approval from the US Food and Drug Administration (FDA) to market the BCD in the USA."

# OPERATIONS REVIEW



## KEY ACHIEVEMENTS

### PRODUCT DEVELOPMENT

#### *The Blood Collection Device*

The design and development of the Medigard Blood Collection Device has been finalised for some time. Preparations for mass production, assuming our successful negotiation with a manufacturing partner, will begin with tooling. In 2008/9 we have also advanced our packaging, without compromising the integrity of the vacuum.

#### *The Retractable Syringe*

Some 2,000 samples of the 3mL syringe were made available for standards testing and simulated clinical trials, in preparation for an application to the FDA. Strong interest was shown in the syringe which, for Medigard, remains the flagship product because of the very large size of the global syringe markets.

Medigard continues to be confident the syringe design is an inexpensive, technically superior syringe that operates with a vacuum and not a spring or sheath.

Ease-of-use has been demonstrated and force of activation is less than several of the competitor products. The lower cost of production, lack of aerosoling and advantage of interchangeable needles make Medigard's product compelling.

As indicated earlier, designs exist for a 5mL and 10mL version of the automatic retractable syringe both of which will use substantially the same parts as the 3mL version. A 3mL manual retractable version has been available in prototype version for some time and will be attractive to certain market segments.

The design of a 1mL version has been progressed and an advantage of a manufacturer will be resources that they can bring to get this important product to market.

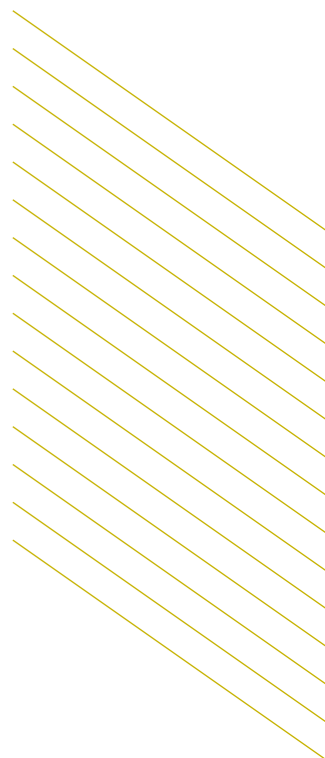
Medigard's pipeline includes designs for Pre-filled Syringes as well as further products which can be bundled with others in the Medigard product line.



The Blood Collection Device



The Retractable Syringe



## PATENTS

## Family Group 1

NUMBER	COUNTRY	DATE FILED	TITLE	RENEWAL DATE	STATUS
5658257	United States	21/04/1992	Syringe		Registered

These patents relate to a disposable Single Use Syringe for administering medicament which includes a needle attachment member gripping means constituting a closure of the distal end of the plunger of the syringe and being adapted to engage a needle attachment member so that the needle attachment member can be retracted into the interior of the plunger by vacuum with the plunger. The syringe is intended to minimise the possibility of injury following use thereof. These patents are in the name of Medisafe Instruments Pty Ltd but owned by Medigard Limited.

## Family Group 3

NUMBER	COUNTRY	DATE FILED	TITLE	RENEWAL DATE	STATUS
2005207079	Australia	21/01/2005	Improvements to a Blood Collection Device	11/09/2008	Granted
7544169	United States	21/01/2005	Improvements to a Blood Collection Device	09/06/2009	Granted

Australian patent application No. 2004900310 entitled "Improvements to Blood Collection Device" filed 23 January 2004 in the name of Medigard Ltd. This patent application relates to a Blood Collection Device incorporating a syringe element and a vacuum tube for retracting the needle.

## PCT/AU2005/000063

This application was completed on 21 January 2005. A worldwide Patent Co-operation Treaty (PCT) application for the Improvements to a Blood Collection Device was lodged on 21 January 2005. An International Report received on this patent was favourable and considers 9 of the 10 claims to be novel, inventive and all of the claims to have industrial applicability. This device entered the National Phase on the 21 July 2006 in the following countries:

NUMBER	COUNTRY
2552971	Canada
05700095-2	Europe
2006-549781	Japan

## Family Group 4

Australian patent application No. 2003903990 entitled "Cannula/Catheter Introducer" filed 31 July 2003 in the name of Medigard Pty Ltd. This patent application relates to a cannula/catheter introducer device incorporating a retractable syringe element.

## PCT/AU2004/001012

This application was completed on 31 July 2004. A worldwide Patent Co-operation Treaty (PCT) application for an enhanced Cannula/Catheter Introducer was lodged on 31 July 2004. An International Report received on this patent was favourable and considers all claims to be novel, inventive and have industrial applicability.

This device entered the National Phase on the 31 January 2006 in the following countries:

NUMBER	COUNTRY
2004260553	Australia
544485	New Zealand
2534174	Canada
10/565734	USA
04737630.6	Europe
2006-521347	Japan



## Family Group 5

Australian patent application No. 2004904738 entitled "A Medical Device Containing a Vacuum Chamber" filed 20 August 2004 in the name of Medigard Limited.

The patent relates to a vacuum chamber where the vacuum in this chamber can be generated on demand (typically just prior to use of the medical device).

## PCT/AU2005/001220

This application was completed on the 15 Aug 2005. A worldwide Patent Co-operation Treaty (PCT) application for "A Medical Device Containing a Vacuum Chamber" was lodged on 15 Aug 2005.

An International Report received on this patent was favourable and considers all claims to be novel, inventive and have industrial applicability.

This device entered the National Phase on the 15th February, 2007, in the US only under the number 11/660020.

This product was allowed to lapse.

## Family Group 8

Australian patent application No 2005904695 entitled "A Valve for use with a Catheter/Cannula" filed 29 August 2005 in the name of Medigard Limited.

This patent relates to an active medical device such as an Intravenous Valve used with an inserter.

## Family Group 8a

Australian patent application No 2005905748 entitled "Improvements to a One Way Valve" filed 18 October 2005 in the name of Medigard Limited.

This patent relates to a passive medical device such as an Intravenous Valve used with an inserter.

Both Family Group 8 and Family Group 8A are grouped under Patent Co-operation Treaty number PCT/AU2006/001203.

This device entered National Phase on 21 February 2008 in the following countries:

COUNTRY	NUMBER
Australia	2006287103
Canada	2655656
USA	12/065463
Europe	06774837.6
Japan	2008-528292

## Family Group 9

Australian patent application No 2006901267 entitled "A Needle Containing Medical Device with Variable

Locking to Needle Holder" filed 13 March 2006 in the name of Medigard Limited. This patent relates to a disposable Single Use Syringe which includes a needle attachment member and a plunger incorporating a piston. This piston is able to incrementally engage to the needle member so it can be retracted into the interior of the plunger by vacuum.

A worldwide Patent Co-operation Treaty (PCT) has been lodged number PCT/AU2007/000299.

This device entered National Phase on 13 September 2008 in the following countries:

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

## Family Group 10

Australian patent application No. 2007905582 entitled "A Syringe" filed 11th October 2007 in the name of Medigard Limited.

This patent relates to a disposable Single Use Syringe which utilises a glass pre-fill encased in our device.

This product was allowed to lapse.

## Family Group 11

Australian patent application No. 2008903652 entitled "A Retractable Syringe" filed 17 July 2008 in the name of Medigard Limited.

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

## PCT/AU2009/000918

This application was completed on the 17 July 2009. A worldwide Patent Co-operation Treaty (PCT) application for "A Retractable Syringe" was lodged on 17 July 2009.



CORPORATE  
INFORMATION

DIRECTORS



DON CHANNER, CHAIRMAN

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

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

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



DR PETER CLARK, EXECUTIVE DIRECTOR

*B.Sc. (University of Queensland) Ph.D. (Chemistry) (Indiana University) and M.B.A. (University of Queensland).*

Dr Clark has had a distinguished career as an academic, serving on the faculties of the Australian National University, University of Queensland, Queensland University of Technology and the School of Business at Bond University. For the past 12 years, Dr Clark has been involved in various commercialisation ventures specialising in innovation, business planning, market research and analyses. He is current or former Director of several companies involved with the commercialisation of innovations.

Dr Clark is Chairman of the Board's Audit and Risk and Nomination and Remuneration Committees.



CHRIS BISHOP, NON-EXECUTIVE DIRECTOR

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

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

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

CHIEF EXECUTIVE OFFICER  
AND COMPANY SECRETARY



PETER EMERY

*B.A., LL.B., Grad Dip Mgt., FAICD, FFin, FAIM.*

Mr Emery's background is that of lawyer, investment banker, company director, consultant and academic. Amongst other awards, he holds the Advanced Company Directors Diploma from the Australian Institute of Company Directors.

Mr Emery has held various senior and general management positions particularly in the fields of financial and professional services. A former Director of NatWest Markets Australia Limited and its various subsidiaries he was until recently a Director of RiverCity Motorway Management Limited. His current directorships include two Not for Profit organisations. He is chairman/member of six Managed Investment Act Compliance Committees and is a presenter for the Australian Institute of Company Directors in the areas of directors' responsibilities and governance.

CHIEF FINANCIAL OFFICER



PATRICIA BOERO

*B.Bus., FCA.*

Mrs Boero is the former Principal of successful accounting practice Boero & Associates. A Chartered Accountant for 28 years, Mrs Boero has a variety of interests and continues to work with clientele comprising a range of companies and industries. Mrs Boero is a member and advisor to several Not for Profit organisations.

## CORPORATE GOVERNANCE STATEMENT

The Board of Medigard has always taken seriously the need for high standards of corporate governance and its continuous improvement. Medigard, where possible, continues to comply with the Corporate Governance Principles as published by the ASX Corporate Governance Council. Last year, the Company chose to be an early adopter of the revised principles, namely the 2<sup>nd</sup> edition, and the following statements are in accordance with that 2<sup>nd</sup> edition. The Company has applied the principles in the letter and spirit to the extent that its small size and still relatively early stage of development will allow.

Medigard's Board Charter has established the Board's overall and specific responsibilities and the roles it has delegated to management through the Chief Executive Officer. The Board has delegated general authority for the operations of Medigard to the Chief Executive Officer and Executive Director. Given the Company's small size, the Board continues to take an active role in all decisions of any strategic or financial importance.

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

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

The Finance Committee has a general responsibility to review the integrity of the Company's finances including its budgeting, financial performance, management accounts and investments. There was one meeting of the Committee during the year attended by all members current at that time.

The Nomination and Remuneration Committee has a general responsibility to nominate potential Directors to the Board and to establish standards for the ongoing performance of the Board. In addition, the Committee will make recommendations to the Board as to the remuneration of Board members, the Chief Executive Officer and senior management of Medigard. One meeting was held throughout the year and all members current at the time attended.

Independent research is carried out on appropriate remuneration of both Directors and Executives including the element of remuneration attaching by way of performance. As was the case in previous years, performance is linked to achievement of milestones rather than share price. The Chairman and Directors collectively review the Board's performance and the level of skill and training needed. From time to time, the Board also considers potential candidates for additional or replacement Board members and, indeed, during the year there was a change in one Board position. The Company has a medium-term aim of enhancing the Board with a variety of skills and experience. In the case of the Board and senior staff including the CEO, formal assessment review processes are in place.

The Company has a Code of Conduct under which employees and consultants are required to act honestly and with integrity, comply with all laws and protect the confidentiality and other interests of the Company. The Directors have also separately signed a Corporate Ethics Policy detailing the Directors' obligations in dealing in Medigard securities. The Company has a Trading Policy binding all those who work for Medigard as employees or consultants. Under that policy, insider trading is specifically prohibited and trading in the Company's securities requires the Chairman's prior knowledge. Hedging of options is not permitted.

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

### PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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

##### *Response*

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

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

Delegated to senior management and in particular the CEO and Executive Director is general authority for the operations of Medigard. Specifically, the CEO is responsible for:

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

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

#### *Recommendation 1.2* *Process for performance evaluation of Senior Executives*

##### *Response*

A performance evaluation process exists for all senior executives and is carried out at least annually and has taken place within the reporting period. The process is a formal review with the opportunity provided for individual discussion and goal setting against targets

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

##### *Response*

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

### PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

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

##### *Response*

Only one of the Directors, Dr Chris Bishop, is independent. He is not a substantial shareholder, nor has he been a previous employee, advisor or consultant, and has no material contract with the Company as supplier, contractor or otherwise. Both the Chairman and the Executive Director are substantial shareholders and the Chairman is at present the lessor of the Company's leased premises. The lack of independence is an historical relationship and one founded on the role played by both Directors in the early stages of the Company. Any deficiency in technical independence does not impair the ability of the Directors to form an independent view and make effective decisions, which are always made in the best interests of the Company. In due course, the Company will consider the appointment of further independent Directors including an independent Chairman.

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

##### *Response*

See response in 2.1

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

##### *Response*

They are not.

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

**Response**

The nomination function is incorporated in the combined Committee known as the Nomination and Remuneration Committee. There is a Charter for that Committee and responsibilities of members are set out in that document, which is available at the Company's premises. Members are Dr Peter Clark (Chair), Don Channer, and Dr Chris Bishop.

For reasons detailed in 2.1 there is not a majority of independent Directors nor is the Chairman deemed to be independent. The functions of the Committee are to make recommendations to the Board as to the remuneration of Board members, the Chief Executive Officer and senior management of Medigard. Specifically, the Committee is responsible for:

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

In considering Board appointment and re-appointments the Committee considers competencies, experience and skills required, the need for renewal, and Board size. Mr Don Channer is standing for re-election at the forthcoming Annual General Meeting and full details of his candidacy and relationships are contained on page 26. Mr Channer is Chairman and Non-Executive Director of Medigard and has been a Director since 1999.

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

**Response**

A formal performance evaluation process exists comprising a survey circulated amongst, and reviewed by, all Board members. A review has taken place in the reporting period. Induction and training is available to all Directors and access to information, including independent professional advice, is freely given at the Company's expense. The Board works closely with the Company Secretary who is available to meet the needs of the Directors, provide advice and support and is accountable on all governance matters.

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

**Response**

The skills and experience of the Board members have been provided at pages 26 and 27. Only Dr Chris Bishop is considered an independent Director for reasons set out in 2.1 above.

Both Don Channer and Peter Clark have held office as Director since 1999 and Chris Bishop since 1 September 2008. Information supporting the responses in principle 2 is available from the Company.

**PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING**

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

**Response**

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

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

Regular review and training occurs in respect of the Code.

**Recommendation 3.2**  
*Trading Policy*

**Response**

A Trading Policy exists binding Directors, staff and contractors. Specifically:

- Every employee, contractor and consultant is forbidden to deal directly or indirectly in a company's shares if they are possession of inside information about the Company.
- An employee, contractor or consultant in possession of inside information must not communicate the inside information to other persons not already in receipt of that information for the purposes of or with the possible result that the information will be used in dealing in the Company's securities.
- An employee, contractor or consultant wishing to trade in the Company's securities must notify the Chairman of his or her intended trade at latest twenty-four hours prior to trading.
- The Chairman must determine that the requested trade is in accordance with the law and the policy. The Chairman will also consider the restrictions placed on the Directors as to trading windows and prohibitions in their dealings in the Company's securities.
- Once a trade has been completed the employee, contractor or consultant will notify the Chairman and the Company Secretary of that trade such notification to occur within 24 hours of the time of the trade.

**Recommendation 3.3**  
*Provide information on Principle 3*

**Response**

The Company's Code of Conduct and Trading Policy is available at its premises.

**PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

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

**Response**

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

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

**Response**

The Audit and Risk Committee during the reporting period comprised one Director namely Grant Peterson and two other members being CEO, Peter Emery and CFO, Patricia Boero.

Following the departure of Grant Peterson, the committee has been reconstituted with Dr Peter Clark assuming the Chairmanship. Other members of the Committee are Dr Chris Bishop, Mr Peter Emery and Mrs Patricia Boero. Qualifications of the members have been described on page 26 and 27. All members are financially literate and understand the Company's industry with Mrs Boero being a qualified Accountant. Whilst not an independent Director, the Audit Chairman is not Board Chairman. Because of the size of the Company and for reasons given in response to 2.1 above, the Company is not able to demonstrate a majority of Non-Executive and independent Directors.

**Recommendation 4.3**  
*Audit Committee to have a formal Charter*

**Response**

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

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

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

**Response**

The Audit and Risk Committee Charter is available at the Company's premises. There is a procedure for selection and rotation of the External Auditor.

## PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

*Recommendation 5.1*

*Establish written policies and procedures for continuous disclosure*

*Response*

A Continuous Disclosure Policy exists binding all Directors, staff and contractors.

Specifically provided for in the policy are:

- Details of the obligations under the Corporations Act and the ASX Listing Rules
- A requirement for Directors and management to notify the Company Secretary as soon as they become aware of any information that could be considered market sensitive
- A process by which the information is analysed and a determination made by the Company Secretary in conjunction with the Chairman as to disclosure or otherwise
- A process to deal with analyst briefings and media liaison whereby all presentations are reviewed by the Company Secretary and the Chief Executive Officer is the sole spokesperson for the Company in usual circumstances
- All liaison and correspondence with the ASX occurs through the office of the Company Secretary

*Recommendation 5.2*

*Provide information on Principle 5*

*Response*

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

## PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

*Recommendation: 6.1*

*Design a communications strategy*

*Response*

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

*Recommendation 6.2*

*Provide information on Principle 6*

*Response*

So provided.

## PRINCIPLE 7: RECOGNISE AND MANAGE RISK

*Recommendation 7.1*

*Policies for oversight and management of material business risks*

*Response*

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

Specifically provided for in the Risk Management Policy are:

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

*Recommendation 7.2*

*Risk management system*

*Response:*

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

*Recommendation 7.3*

*CEO and CFO assurance*

*Response*

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

*Recommendation 7.4*

*Provide information on Principle 7*

*Response*

So provided.

## PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

*Recommendation 8.1*

*Establish a Remuneration Committee*

*Response*

The Company has combined the nomination and remuneration functions in one Committee which is detailed above in 2.4 on page 16. The Nomination and Remuneration Committee has a charter which includes the Company's policies on remuneration generally and the responsibilities of the Committee to review and report on Senior Executive and Director remuneration. An outline of the policy is also provided in 2.4 above.

*Recommendation 8.2*

*Distinguish Non-Executive Directors, Executive Directors and Management*

*Response*

Both Non-Executive and Executive Directors receive cash fees only together with superannuation. All Directors are shareholders, with Dr Chris Bishop awarded small parcel of 200,000 shares in return for services rendered by him. With the exception of Dr Clark, all members of Management have been granted options *in lieu* of salaries which have to date been considerably below market. Those options are by way of incentive for future performance. Details of remuneration are contained from page 27 of this Annual Report.

*Recommendation 8.3*

*Provide information Principle 8*

*Response*

So provided.

"The Audit and Risk Committee usually meets twice yearly and risk management is reviewed at those meetings as a key agenda item."



# SHAREHOLDER INFORMATION

## NUMBER OF HOLDERS OF ORDINARY SHARES

73,750,055 ordinary fully paid quoted ordinary shares are held by 699 individual shareholders. All issued ordinary shares carry one vote per share and the right to dividends.

### DISTRIBUTION OF HOLDERS OF ORDINARY SHARES

BAND	NUMBER
1-1,000	5
1,001-5,000	90
5,001-10,000	180
10,001-100,000	349
100,001 and over	75
<b>TOTALS</b>	<b>699</b>
Holdings less than marketable parcel	77

### SUBSTANTIAL SHAREHOLDERS

The following are substantial shareholders in Medigard Limited.

SHAREHOLDER	NUMBER OF SHARES	%
Donald Julian Channer	27,117,692	36.770
Dr Peter William Clark	7,568,687	10.263
Sun Sea Pty Ltd	4,566,004	6.191

## TWENTY LARGEST HOLDERS OF ORDINARY SHARES

HOLDER NAME	BALANCE AT 02 OCT 2009	%
Donald Julian Channer	27,117,692	36.770
Dr Peter William Clark	7,568,687	10.263
Sun Sea Pty Ltd	4,566,004	6.191
Mr Richard Lutkajtis <Richards Roofing Service A/C>	2,127,734	2.885
Mr Ross Joseph Cali	1,069,575	1.450
Len Cali Holdings Pty Ltd (Len Cali Family A/C)	853,834	1.158
Patricia Mary Boero	725,829	0.984
Wendon Holdings Pty Limited (Wendon Family Property A/C)	660,896	0.896
EN Globo Pty Ltd <EN Globo A/C>	637,492	0.864
RJC (Qld) Pty Ltd (Rjc Investment A/C)	589,000	0.799
Ganbaru Pty Ltd <The Parrish Super Fund A/C>	496,834	0.674
Berisha Pty Ltd <Camplng Super Fund A/C>	479,180	0.650
Arora Constructions Pty Ltd	467,858	0.634
Mr Philip Bickley Callard	445,684	0.604
Lefreda Pty Ltd	433,334	0.588
Mr Gary Donald Howlett	413,638	0.561
Mr Adam Keese Lambert	383,634	0.520
My Coyne Anthony Graham & Ms Margarette Myha Dong	379,308	0.514
Sudden Impact Realty Pty Ltd <The Parcels A/C>	375,000	0.508
Mr Peter Mark Emery	340,416	0.462

## NUMBER OF HOLDERS OF QUOTED OPTIONS

24,583,318 loyalty options at an exercise price of \$0.12 expiring on 31 March 2010 and quoted are held by 678 individual holders.

## DISTRIBUTION OF HOLDERS OF LISTED OPTIONS

BAND	NUMBER
1-1,000	49
1,001-5,000	278
5,001-10,000	140
10,001-100,000	185
100,001 and over	26
<b>TOTALS</b>	<b>678</b>

## TWENTY LARGEST HOLDERS OF QUOTED OPTIONS

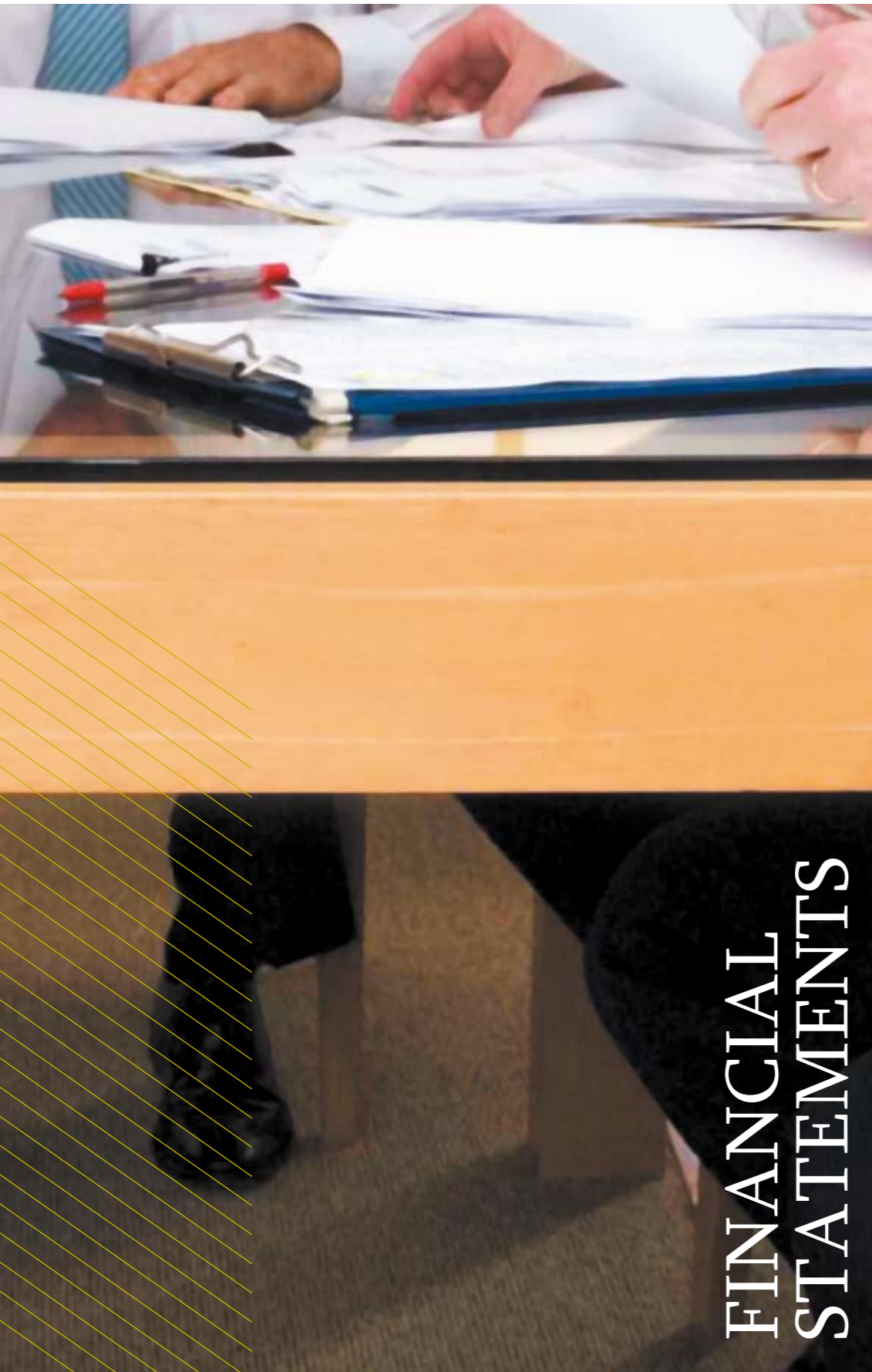
HOLDER NAME	BALANCE AT 02 OCT 2009	%
Donald Julian Channer	9,039,231	36.770
Dr Peter William Clark	2,522,896	10.263
Sun Sea Pty Ltd	1,522,001	6.191
Mr Richard Lutkajtis <Richards Roofing Service A/C>	709,245	2.885
Mr Ross Joseph Cali	356,525	1.450
Len Cali Holdings Pty Ltd (Len Cali Family A/C)	284,611	1.158
Patricia Mary Boero	241,943	0.984
Berisha Pty Ltd <Camplng Super Fund A/C>	230,079	0.936
Wendon Holdings Pty Limited (Wendon Family Property A/C)	220,299	0.896
Moody Financial & Partners Pty Ltd	212,497	0.864
RJC (Qld) Pty Ltd (Rjc Investment A/C)	196,333	0.799
Mr Adam Keese Lambert	191,045	0.777
Protax Nominees Pty Ltd <Richards Super Fund A/C>	166,667	0.678
Ganbaru Pty Ltd <The Parrish Super Fund A/C>	165,611	0.674
Lefreda Pty Ltd	144,445	0.588
Mr Gary Donald Howlett	137,879	0.561
Mr Philip Bickley Callard	127,778	0.520
My Coyne Anthony Graham & Ms Margarette Myha Dong	126,436	0.514
Sudden Impact Realty Pty Ltd <The Parcels A/C>	125,000	0.508
Mr Anthony Tyron Watters	114,445	0.466

## NAME AND CLASS OF RESTRICTED AND UNQUOTED SECURITIES

There are five option holders holding options to acquire 7,600,000 shares in the Company. There is no current on-market buy back of securities.

## USE OF CASH AND ASSETS

At the time of admission to the Australian Stock Exchange the Company indicated the funds raised in its Initial Public Offering would be used for the purposes of research and development, production dies and equipment, expenses of the issue and for working capital. As can be seen from the Operations Review and elsewhere in this report, the cash and assets readily convertible into cash have been used in a way consistent with that anticipated usage and not for any other purpose.



**FINANCIAL STATEMENTS**

**DIRECTORS REPORT**

Your Directors present their report on the Company for the financial year ended 30 June 2009.

**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 J BISHOP  
(Appointed 1 September 2008)

GRANT D PETERSON  
(Resigned 1 September 2008)

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:

Mr Peter Emery – Mr Emery has had over thirty years experience in management of businesses as lawyer, investment banker, company director, consultant and academic. Amongst other awards, he holds the Advanced Company Directors Diploma. He was appointed company secretary on 10 July 2003.

**PRINCIPAL ACTIVITIES**

The principal activities of the Company during the year were the finalisation of existing products, regulatory and other approvals, marketing to, and negotiation with potential strategic partners and development of new products. Included in activities were further research and development and the maintenance of, and new applications for relevant patents.

**OPERATING RESULTS**

The operating loss of the Company after providing for income tax is \$761,323.

**DIVIDENDS PAID OR RECOMMENDED**

No dividends have been paid or declared for payment.

**REVIEW OF OPERATIONS**

**RESEARCH AND DEVELOPMENT**

The Medigard safety Blood Collection Device, and Automatic Vacuum Retractable Syringe have been manufactured in sufficient quantities to allow testing and evaluation. The Blood Collection Device has been evaluated by several major US hospitals and clinics with pleasing results. The company has also received approval from the FDA in the US, which allows marketing of the BCD product. The Syringe is the subject of an FDA application and has also been the subject of discussions and negotiations with potential manufacturers and distributors.

**FINANCIAL POSITION**

The net assets of the Company have decreased from \$1,263,215 at 30 June 2008 to \$833,255 at 30 June 2009. This decrease has resulted from the expenditure on research and development and associated operating and marketing costs.

**FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES**

The Company is in active discussions with US manufacturers and distributors. The company hopes to conclude negotiations in the short term with a view to both making and selling the Medigard products in North America. Thereafter, Medigard will seek entry into other major international markets.

**SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

There were no significant changes in the state of affairs of the Company during the financial year.

**AFTER BALANCE DATE EVENTS**

There have been no significant events since balance date.

**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.

## 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. 9,039,231 listed options are held with 1,522,001 listed options held by Sun Sea Pty Ltd as trustee for the Sun Sea Investment Trust.

*Special Responsibilities*

- Member of the Nomination and Remuneration Committee
- Member of the Finance Committee.

**C J BISHOP**  
*(Non-Executive) Appointed 1 September 2008**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. 94,445 listed options are held.

*Special Responsibilities*

- Member of the Audit and Risk Committee
- Member of the Nomination and Remuneration Committee
- Chairman of the Finance Committee.

**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*

7,568,687 ordinary shares in Medigard Limited, holds 41,659 shares in Medigard jointly with his spouse and 104,132 shares held by spouse. 2,522,896 listed options are held and a further 13,886 listed options held with his spouse and 34,711 listed options are held by spouse.

*Special Responsibilities*

- Chairman of the Nomination and Remuneration Committee
- Chairman of the Audit and Risk Committee.

**G D PETERSON**  
*(Non-Executive) Resigned 1 September 2008**Qualifications*

- Bachelor of Commerce (University of Queensland)
- Diploma of Securities Institute of Australia

*Experience*

Experience in accountancy, commercial business ventures, and corporate and international banking.

*Interest in Shares and Options*

No ordinary shares in Medigard Limited. 2,750,000 options are held.

*Special Responsibilities*

- Member of the Audit and Risk Committee
- Member of the Nomination and Remuneration Committee
- Chairman of the Finance Committee.

**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 25,000 shares held by an associated entity The Boero Family Trust. 1,500,000 unlisted options and 241,943 listed options are held. The Boero Family Trust holds 8,333 listed options.

*Special Responsibilities*

- Member of the Audit and Risk Committee.

## 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 percent, 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.

The financial performance of the Company since listing in 2004 is reflected in the accumulated losses of \$3,552,555. The Company is continuing on the path to commercialisation. This has impacted on shareholders wealth as reflected in the 30 June 2009 share price of \$0.08 compared to the listing price of \$0.20.

## DETAILS OF REMUNERATION FOR YEAR ENDED 30 JUNE 2009

The remuneration for the key management personnel of the Company was as follows:

## 2009

DIRECTOR	SHORT TERM BENEFITS		SHARE BASED PAYMENT	OTHER BENEFITS	TOTAL	% SHARE BASED PAYMENTS
	CASH SALARY	SUPER-ANNUATION	EQUITY SETTLED OPTIONS	INSURANCE		
	\$	\$	\$	\$	\$	
Mr D J Channer	33,000	2,970	-	1,843	37,813	-
Dr P W Clark	52,501	4,725	-	1,843	59,069	-
Dr C J Bishop	15,625	1,406	9,000	1,536	27,567	34.04%
Mr G D Peterson	3,125	281	-	307	3,713	-
Mrs P M Boero	18,000	-	-	1,843	19,843	-
	<b>122,251</b>	<b>9,382</b>	<b>9,000</b>	<b>7,372</b>	<b>148,005</b>	

## OTHER KEY MANAGEMENT PERSONNEL

Mr P M Emery	60,825	-	-	1,843	62,668	
	<b>183,076</b>	<b>9,382</b>	<b>9,000</b>	<b>9,215</b>	<b>210,673</b>	

## 2008

DIRECTOR	SHORT TERM BENEFITS		SHARE BASED PAYMENT	OTHER BENEFITS	TOTAL	% SHARE BASED PAYMENTS
	CASH SALARY	SUPER-ANNUATION	EQUITY SETTLED OPTIONS	INSURANCE		
	\$	\$	\$	\$	\$	
Mr D J Channer	42,167	3,960	-	1,843	47,970	-
Dr P W Clark	67,083	6,300	-	1,843	75,226	-
Mr G D Peterson	23,958	2,250	187,909	1,843	215,960	87.11%
Mrs P M Boero	18,000	-	102,496	1,843	122,339	83.78%
	<b>151,208</b>	<b>12,510</b>	<b>290,405</b>	<b>7,372</b>	<b>461,495</b>	

## OTHER KEY MANAGEMENT PERSONNEL

Mr P M Emery	66,575	-	170,826	1,843	239,244	
	<b>217,783</b>	<b>12,510</b>	<b>461,231</b>	<b>9,215</b>	<b>700,739</b>	

## OPTIONS GRANTED AS REMUNERATION

- There were no options granted as remuneration during the year ended 30 June 2009

Options granted as remuneration during the year ended 30 June 2008.

DIRECTOR	GRANTED NO	GRANT DATE	VALUE PER OPTION AT GRANT DATE	EXERCISE PRICE PER OPTION GRANTED	EXPIRY DATE PER OPTION GRANTED
Mr G D Peterson	2,750,000	17.08.07	0.068	0.20	17.08.12
Mrs P M Boero	1,500,000	17.08.07	0.068	0.20	17.08.12
	<b>4,250,000</b>				
<b>SPECIFIED EXECUTIVES</b>					
Mr P M Emery	2,500,000	17.08.07	0.068	0.20	17.08.12
	<b>6,750,000</b>				

## NOTES IN RELATION TO OPTIONS

- All options were issued in consideration for services rendered.
- All options vested on the grant date
- No options were forfeited during the year
- The value of options granted has been disclosed in the Remuneration Report.

## 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 outlines above. The manner of payment is determined on a case-by-case basis and is generally a mix of cash and con-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 three month's notice. The Company retains the right to terminate the contract immediately by making payment equal to three month's pay *in lieu* of notice.

On termination, key management personnel are entitled to receive their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits. No other termination benefits are payable.

**This is the end of the Remuneration Report.**

## MEETINGS OF DIRECTORS

During the financial year, 11 meetings of Directors were held. Three 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	11	11	0	0	1	1	1	1
P. W. CLARK	11	11	1	1	0	0	1	1
C.J. BISHOP	9	9	0	0	0	0	0	0
G. D. PETERSON	2	2	1	1	1	1	1	1
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                      GRANT D PETERSON  
 PETER W CLARK                         PATRICIA M BOERO  
 CHRISTOPHER J BISHOP

The total premium has been allocated equally amongst the Directors.  
 The Company has not indemnified 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
17/01/2008	17/01/2011	\$0.20	850,000
21/04/2009	31/03/2010	\$0.12	24,583,352
			<b>32,183,352</b>

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.

## 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.

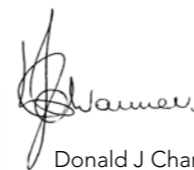
## NON-AUDIT SERVICES

No fees were paid to the external auditors for non-audit services during the year ended 30 June 2009.

## AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2008 has been received and can be found on the following page.

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



Donald J Channer  
 Director



The Directors  
 Medigard Limited  
 Suite 14A  
 Tedder Terraces  
 26-30 Tedder Ave  
 Main Beach Qld 4217

#### DECLARATION OF INDEPENDENCE BY ANTHONY WHYTE TO THE DIRECTORS OF MEDIGARD LIMITED

As lead auditor of Medigard Limited for the year ended 30 June 2009, 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.

BDO Kendalls (QLD)



A J Whyte

Brisbane  
 24 September 2009

# AUDITOR'S INDEPENDENCE DECLARATION

BDO Kendalls is a national association of separate partnerships and entities. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

## INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	2009 \$	2008 \$
Revenue	2	169,504	251,219
Depreciation and amortisation expense	3	(43,687)	(37,565)
Finance costs		(6,255)	-
Other expenses	3	(880,885)	(1,472,649)
Loss before income tax expense	3	(761,323)	(1,258,995)
Income tax expense	4	-	-
<b>Loss for the year</b>		<b>(761,323)</b>	<b>(1,258,995)</b>
Basic earnings per share (cents per share)	7	(1.10)	(1.86)
Diluted earnings per share (cents per share)		(1.10)	(1.86)

The Income Statement should be read in conjunction with the Notes to the Financial Statements.

## BALANCE SHEET

AS AT 30 JUNE 2009

	NOTE	2009 \$	2008 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	276,374	131,673
Trade and other receivables	9	108,808	122,373
Financial assets	10	298,250	650,500
Other current assets	11	4,462	22,560
<b>TOTAL CURRENT ASSETS</b>		<b>687,894</b>	<b>927,106</b>
<b>NON-CURRENT ASSETS</b>			
Financial Assets	10	96,696	201,555
Property, plant and equipment	12	10,883	15,575
Intangible assets	13	217,314	172,999
Other non current assets	14	10,560	10,560
<b>TOTAL NON-CURRENT ASSETS</b>		<b>335,453</b>	<b>400,689</b>
<b>TOTAL ASSETS</b>		<b>1,023,347</b>	<b>1,327,795</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	86,902	64,580
Interest bearing liabilities	16	103,190	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>190,092</b>	<b>64,580</b>
<b>TOTAL LIABILITIES</b>		<b>190,092</b>	<b>64,580</b>
<b>NET ASSETS</b>		<b>833,255</b>	<b>1,263,215</b>
<b>EQUITY</b>			
Issued Capital	17	3,865,963	3,534,600
Reserves	18	519,837	519,837
Retained losses		(3,552,545)	(2,791,222)
<b>TOTAL EQUITY</b>		<b>833,255</b>	<b>1,263,215</b>

The Balance Sheet should be read in conjunction with the Notes to the Financial Statements.

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2009

	ISSUED CAPITAL	RETAINED EARNINGS	SHARE BASED PAYMENT	TOTAL EQUITY
	\$	\$	\$	\$
<b>AT 1 JULY 2007</b>	<b>3,534,600</b>	<b>(1,532,227)</b>	<b>19,613</b>	<b>2,021,986</b>
Loss for the Year	-	(1,258,995)	-	(1,258,995)
Issue of Shares	-	-	-	-
Issue of Options	-	-	500,224	500,224
<b>AT 30 JUNE 2008</b>	<b>3,534,600</b>	<b>(2,791,222)</b>	<b>519,837</b>	<b>1,263,215</b>
Loss for the Year	-	(761,323)	-	(761,323)
Cost of Share Issue	(37,637)	-	-	(37,637)
Issue of Shares	369,000	-	-	369,000
Issue of Options	-	-	-	-
<b>AT 30 JUNE 2009</b>	<b>3,865,963</b>	<b>(3,552,545)</b>	<b>519,837</b>	<b>833,255</b>

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

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

	NOTE	2009 \$	2008 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(609,475)	(624,130)
Research and Development Tax Offset		113,489	172,695
GST Refunded		28,129	27,774
Interest received		71,620	143,680
Net cash used in operating activities	22a	<b>(396,237)</b>	<b>(279,981)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of investments		201,885	382,307
Purchase of property, plant and equipment		(362)	(868)
Proceeds from sale of property, plant and equipment		548	-
Purchase of other non-current assets		(83,496)	(45,850)
Net cash provided by investing activities		<b>118,575</b>	<b>335,589</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from Issue of Shares		360,000	-
Payment for Costs of Share Purchase Plan		(37,637)	-
Proceeds from loans		100,000	-
		<b>422,363</b>	<b>-</b>
Net increase/(decrease) in cash held		144,701	55,608
Cash at 1 July 2008		131,673	76,065
Cash at 30 June 2009	8	<b>276,374</b>	<b>131,673</b>

The Cash Flow statement should be read in conjunction with the Notes to the Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Report is a general purpose Financial Report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The Financial Report also complies with all International Financial Reporting Standards (IFRS) in their entirety.

The Financial Report covers Medigard Limited as an individual company. Medigard Limited is a listed public company, incorporated and domiciled in Australia.

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

#### BASIS OF PREPARATION

The accounting policies set out below have been consistently applied to all years presented.

#### Reporting Basis and Conventions

The Financial Report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected assets for which the fair value basis of accounting has been applied.

#### 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 the successful commercialisation of the Company's medical products and the successful raising in the future of any necessary funding through debt or equity.

The Company is in active discussions with US manufacturers and distributors and is hoping to conclude the negotiations in the short term with a view to both making and selling the Medigard products in North America.

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. A successful conclusion to current negotiations with US manufacturers and distributors is expected to assist with the raising of capital if required.

#### ACCOUNTING POLICIES

##### a Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

##### b Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

##### Plant and equipment

Plant and equipment are measured on the cost basis.

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 which will be received from the asset's employment and subsequent disposal. The expected net cash flows have not 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. Properties held for investment purposes are not subject to depreciation.

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

Plant and equipment - 20 percent.

### c Financial Instruments

#### Recognition

Financial instruments are initially measured at cost 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-derivatives 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 if so designated by management and within the requirement of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

### d Fair Value

Fair value is determined based on current bid prices for all quoted investments and market pricing models for unlisted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models (refer Note 26 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 over their useful life.

#### 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 balance sheet.

### 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 the Profit and 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 in the periods in which they are incurred.

### 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 balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement 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 (including financial instruments)

The company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined by reference to the fair value of the financial instrument at balance date.

### m Critical Accounting Estimates and Judgements

#### Key Judgements – Market Value of Floating Rate Notes

Included in Financial Assets are Floating Rate Notes which have been booked to account at a value of \$394,946 at 30 June 2009. The current market for floating rate notes has been adversely affected by the difficulty in global financial markets and the thin trading that prevails for such investments. Any sale of these financial assets will be conducted in an orderly manner as working capital is required.

### NOTE 2: REVENUE

	2009 \$	2008 \$
<b>OPERATING ACTIVITIES</b>		
- Interest received – cash at bank	7,087	17,436
- Interest received – financial instruments	64,533	120,294
- Research & Development Tax Offset	97,884	113,489
	<b>169,504</b>	<b>251,219</b>

### NOTE 3: LOSS FOR THE YEAR

	2009 \$	2008 \$
<b>a. Expenses:</b>		
Depreciation of non-current assets:		
- Plant and equipment	4,506	6,908
<b>Total depreciation</b>	<b>4,506</b>	<b>6,908</b>
Amortisation of non-current assets		
- Patents & Trademarks	39,181	30,657
<b>Total amortisation</b>	<b>39,181</b>	<b>30,657</b>
Rental Expense	27,618	28,954
Research and Development Costs	213,677	230,993
Consulting Fees	60,825	530,806
Directors Fees	113,250	133,207
Fees & Permits	35,896	34,099
Loss on Financial Assets at fair value through Profit and Loss	255,223	359,447
Other Expenses	174,396	155,143
	<b>880,885</b>	<b>1,472,649</b>

### NOTE 4: INCOME TAX EXPENSE

	2009 \$	2008 \$
<b>a. The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:</b>		
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2008: 30%)	228,397	377,698
Less: Tax effect of permanent differences	(29,365)	116,020
Less: Tax effect of timing differences not brought to account	57,099	107,848
Income tax credit attributable to company	200,663	153,830
Future income tax benefits not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(a) occur	(200,663)	(153,830)
Income Tax Expense	-	-
<b>Total value of tax losses carried forward</b>	<b>411,508</b>	<b>381,324</b>

**NOTE 5: INTERESTS OF KEY MANAGEMENT PERSONNEL****OPTIONS HOLDINGS****NUMBER OF OPTIONS HELD BY KEY MANAGEMENT PERSONNEL**

	BALANCE 1.07.2008	GRANTED AS COMPENSATION	OPTIONS EXERCISED	NET CHANGE OTHER	BALANCE 30.06.2009	TOTAL EXERCISABLE 30.06.09
Mr D J Channer		-	-	10,561,232	10,561,232	10,561,232
Dr P W Clark		-	-	2,571,493	2,571,493	2,571,493
Dr C J Bishop		-	-	94,445	94,445	94,445
Mr G D Peterson	2,750,000	-	-	-	2,750,000	2,750,000
Mrs P M Boero	1,500,000	-	-	250,276	1,750,276	1,750,276
Mr P M Emery	2,500,000	-	-	130,139	2,630,139	2,630,139
	<b>6,750,000</b>	<b>-</b>	<b>-</b>	<b>13,607,585</b>	<b>20,357,585</b>	<b>20,357,585</b>

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

**SHAREHOLDINGS****NUMBER OF SHARES HELD BY KEY MANAGEMENT PERSONNEL**

	BALANCE 1.7.2008	RECEIVED AS COMPENSATION	OPTIONS EXERCISED	NET CHANGE OTHER	BALANCE 30.06.2009
Mr D J Channer	31,600,362	-	-	83,334	31,683,696
Dr P W Clark	7,681,144	-	-	33,334	7,714,478
Dr C J Bishop	-	200,000	-	83,334	283,334
Mr G D Peterson	587,703	-	-	(587,703)	-
Mrs P M Boero	667,495	-	-	83,334	750,829
Mr P M Emery	390,416	-	-	-	390,416
	<b>40,927,120</b>	<b>200,000</b>	<b>-</b>	<b>(304,367)</b>	<b>40,822,753</b>

**NOTE 6: AUDITOR'S REMUNERATION**

	2009 \$	2008 \$
Remuneration of the auditor of the Company for:		
- auditing or reviewing the financial report	24,926	20,755

**NOTE 7: EARNINGS PER SHARE**

	2009 \$	2008 \$
<b>a. Reconciliation of Earnings to Net Profit or Loss</b>		
Net Loss	(761,323)	(1,258,995)
Earnings used in the calculation of basic EPS	(761,323)	(1,258,995)
<b>b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS</b>		
Weighted average number of options outstanding	12,620,871	6,582,603

**NOTE 8: CASH AND CASH EQUIVALENTS**

	2009 \$	2008 \$
Cash at bank	276,374	131,673
	<b>276,374</b>	<b>131,673</b>

**Reconciliation of Cash**

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

	2009 \$	2008 \$
Cash	276,374	131,673

The effective interest rate on short-term bank deposits was 2.8% (2008: 8.40%).

**NOTE 9: RECEIVABLES**

	2009 \$	2008 \$
<b>CURRENT</b>		
Short Term Deposits	500	500
Other Debtors	108,308	121,873
	<b>108,808</b>	<b>122,373</b>

No receivables are past due or impaired at year end.

**NOTE 10: OTHER FINANCIAL ASSETS**

	2009 \$	2008 \$
<b>CURRENT</b>		
Investments held at fair value through Profit and Loss account.		
Floating Rate Interest Rate Securities - listed, at market value	298,250	650,500
<b>NON CURRENT</b>		
Investments held at fair value through Profit and Loss account.		
Floating Rate Interest Rate Securities –unlisted, at valuation	96,696	201,555

**NOTE 11: OTHER**

	2009 \$	2008 \$
Prepayments	4,462	22,560

## NOTE 12: PROPERTY PLANT AND EQUIPMENT

	2009 \$	2008 \$
Plant and Equipment – at cost	55,099	56,418
Less: Accumulated depreciation	(44,216)	(40,843)
<b>Carrying amount at the end of the year</b>	<b>10,883</b>	<b>15,575</b>
<b>Balance at beginning of the year</b>	<b>15,575</b>	<b>21,615</b>
Additions – at cost	362	868
Disposal	(548)	-
Depreciation expense	(4,506)	(6,908)
<b>Carrying amount at the end of the year</b>	<b>10,883</b>	<b>15,575</b>

## NOTE 13: INTANGIBLE ASSETS

	2009 \$	2008 \$
Patents, and trademarks – at cost	365,708	282,212
Less: Accumulated amortisation	(148,394)	(109,213)
	<b>217,314</b>	<b>172,999</b>
<b>Balance at beginning of year</b>	<b>172,999</b>	<b>177,550</b>
Additions – at cost	83,496	26,106
Amortisation	(39,181)	(30,657)
<b>Carrying amount at the end of the year</b>	<b>217,314</b>	<b>172,999</b>

## NOTE 14: OTHER ASSETS

	2009 \$	2008 \$
Research and development – at cost	10,560	10,560
Accumulated Amortisation	-	-
	<b>10,560</b>	<b>10,560</b>

## NOTE 15: PAYABLES

	2009 \$	2008 \$
<b>CURRENT</b>		
Unsecured Liabilities		
Trade Creditors	48,270	47,876
Sundry Creditors and Accrued Expenses	38,632	16,704
	<b>86,902</b>	<b>64,580</b>

## NOTE 16: INTEREST BEARING LIABILITIES

	2009 \$	2008 \$
<b>CURRENT</b>		
Unsecured Loan - DJ Channer	103,190	-

## NOTE 17: ISSUED CAPITAL

	2009 \$	2008 \$
a. 73,750,055 (2008: 67,550,000) fully paid ordinary shares	3,865,963	3,534,600
	<b>3,865,963</b>	<b>3,534,600</b>
	No.	No.
At the beginning of the reporting period	67,550,000	67,550,000
Shares issued during the year		
- 20 January 2009 – Remuneration Share Issue	200,000	
- April 2009 – Share Purchase Plan	6,000,055	
<b>At reporting date</b>	<b>73,750,055</b>	<b>67,550,000</b>

## b. Options

i. 24,583,352 listed options issued under the shareholders loyalty plan on 21 April 2009. The options were issued for no consideration.

ii. 316,667 unlisted options lapsed 18 June 2009.

As at 30 June 2009, 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
21/04/2009	31/03/2010	0.12	24,583,352
			<b>32,183,352</b>

As at 30 June 2008, the unissued ordinary shares of Medigard Limited under options were as follows:

GRANT DATE	DATE OF EXPIRY	EXERCISE PRICE \$	NUMBER
18/06/2004	18/06/2009	0.40	100,000
18/07/2004	18/06/2009	0.40	16,667
18/08/2004	18/06/2009	0.40	16,667
18/09/2004	18/06/2009	0.40	16,666
18/10/2004	18/06/2009	0.40	16,667
18/11/2004	18/06/2009	0.40	16,667
18/12/2004	18/06/2009	0.40	16,666
18/01/2005	18/06/2009	0.40	16,667
18/02/2005	18/06/2009	0.40	16,667
18/03/2005	18/06/2009	0.40	16,666
18/04/2005	18/06/2009	0.40	16,667
18/05/2005	18/06/2009	0.40	16,667
18/06/2005	18/06/2009	0.40	16,666
18/07/2005	18/06/2009	0.40	16,667
17/08/2007	17/08/2012	0.20	6,750,000
17/01/2008	17/01/2011	0.20	850,000
			<b>7,916,667</b>

## 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 2008.

The capital structure of the Company consists of the funds raised when the Company floated less accumulated losses to date and the unsecured loan.

**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.

	2009 \$	2008 \$
Option Reserve	519,837	519,837

**NOTE 19: CAPITAL AND LEASING COMMITMENTS**

	2009 \$	2008 \$
Operating Lease Commitments Non cancellable operating leases contracted for but not capitalised in the financial statements		
<b>Payable</b>		
- not later than 1 year	16,180	22,160
- later than 1 year but not later than 5 years	30,020	5,540
- later than 5 years	-	-

The property lease has a 3 year term which commenced on 1 April 2009 with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by CPI annually.

**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 business – the development of innovative medical instruments.

**NOTE 22: CASH FLOW INFORMATION**

	2009 \$	2008 \$
<b>a. Reconciliation of Cash Flow from Operations with Loss from ordinary activities after Income Tax</b>		
Loss after income tax	(761,323)	(1,258,995)
Cash flows excluded from loss attributable to operating activities		
<b>Non-cash flows in loss</b>		
- Amortisation	39,181	30,657
- Depreciation	4,506	6,908
- Movement in market value of investments	255,223	359,447
- Share issue expensed	9,000	500,224
<b>Changes in assets and liabilities</b>		
- (Increase)/decrease in trade and term debtors	13,565	60,070
- (Increase)/decrease in prepayments	18,098	1,469
- (Increase)/decrease in accruals	-	-
- Increase/(decrease) in trade creditors and accruals	25,513	20,239
- Cash flows from operations	<b>(396,237)</b>	<b>(279,981)</b>

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

During the financial year 24,583,352 listed options were issued under the shareholder's loyalty plan. These options were issued for no consideration. There were no non-cash financing and investing activities in the preceding financial year.

**NOTE 23: SHARE-BASED PAYMENTS**

On 17 August 2007, options were issued to a Director, Mr G D Peterson, and other key management personnel, Mr P M Emery and Mrs P M Boero. On 17 January 2008, options were issued to technical consultants. All options were issued in recognition of additional services provided during the year.

**NOTE 24: EVENTS AFTER BALANCE SHEET DATE**

There have been no significant events since balance date.

**NOTE 25: 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 Director related entities for services rendered have been disclosed in the Remuneration Report included in the Directors Report.

	2009 \$	2008 \$
<b>Transactions with related parties:</b>		
(i) Director-related Entities		
Office rental paid to Channer Hook Unit Trust of which Donald Channer is a trustee	27,618	28,954
(ii) Interest bearing loan from Donald Channer	100,000	-
Interest paid to Donald Channer	3,065	-
Accrued interest payable to Donald Channer	3,190	-
The interest charged on the loan ranged from 7% to 8.5%. The loan is repayable on 30 September 2009.		

**NOTE 26: FINANCIAL RISK MANAGEMENT**

The Company's financial instruments include deposits with banks, floating rate interest securities, sundry debtors, accounts payable and an unsecured loan.

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

**CREDIT RISK**

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

Credit risk arises principally from receivables and financial instruments at fair value through Profit and Loss.

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

The principal debtor relates to the Research and Development Tax Offset from the Australian Taxation Office.

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

In respect of receivables, these include

- Review of aging
- Follow up procedures

In respect of financial instruments at fair value through Profit and Loss Account, these include

- Regular contact with financial advisers
- Regular review by the board

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.

The entity has no concentration of credit risk.

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 Balance Sheet.

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

Credit risk on the floating rate notes is measured by reference to the interest received on the notes and the underlying credit rating attaching to the notes.

**SUMMARY QUANTITATIVE DATA**

	FACE VALUE	BOOK VALUE	EFFECTIVE INTEREST RATE
<b>2009</b>			
Listed Securities	533,000	298,250	7.99%
Unlisted Securities	450,000	96,696	42.10%
<b>2008</b>			
Listed Securities	850,000	650,500	11.58%
Unlisted Securities	450,000	201,555	25.25%

**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

The company holds investments in two listed and one unlisted floating rate note. All projections have been prepared assuming the notes will be saleable at book value.

	WITHIN 1 YEAR		1 TO 5 YEARS	
	2009 \$	2008 \$	2009 \$	2008 \$
<b>FINANCIAL LIABILITIES</b>				
Trade and Sundry Creditors	86,902	64,580	-	-
Unsecured Loan	103,190	-	-	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>190,092</b>	<b>64,580</b>	<b>-</b>	<b>-</b>

**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 relates to deposits held at banks, and investments in floating rate notes.

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 rate risk. These include:

- Monitoring interest rate risk exposure continuously

Interest on the bank deposits ranged between .05% and 4.25% during the year. Interest on the floating rate notes has been disclosed above in the description of Credit Risk.

Interest on the floating rate notes is based on Bank Bill swap rate plus a margin depending on the note held. This rate is paid on the face value of the floating rate notes.

**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%
<b>30 JUNE 2009</b>	12,430	-12,430	12,430	-12,430
<b>30 JUNE 2008</b>	14,230	-14,230	14,230	-14,230

**NET FAIR VALUES**

The carrying value of assets and liabilities as disclosed in the Balance Sheet approximate their net fair value. The net fair value of the listed Floating Interest Rate Securities has been based on the quoted market offer price at balance date. The net fair value of the unlisted Floating Interest Rate Securities are calculated using best market practice and are generally in line with other mid market (ie. between bid and offer) valuation assessments provided by other reliable sources. The pricing methodology applied to the Australian Floating Rate Notes are the same as those which are applied to all CDO products globally across Europe and the US.

**NOTE 27: ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

Certain Australian Accounting Standards and Interpretations have been issued or amended and are applicable to the Company but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date. The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial report.

**NOTE 28: COMPANY DETAILS**

The registered Company Office and Principal place of business is:

Medigard Limited, Suite 14a Tedder Terraces, 26-30 Tedder Avenue, Main Beach Qld 4217

#### THE DIRECTORS OF THE COMPANY DECLARE THAT:

The Financial Statements, comprising the income statement, balance sheet, cash flow statement, 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 2009 and of its performance for the year ended on that date.

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.

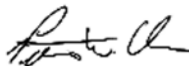
The remuneration disclosures included in pages 27 to 29 of the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2009, comply with section 300A of the Corporations Act 2001.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors on 24 September and is signed for and on behalf of the Directors by:



D J Channer  
Director



P W Clark  
Director

## DIRECTORS' DECLARATION

#### 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 balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

##### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

##### *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 would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEDIGARD LIMITED

#### *Auditor's 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 2009 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

#### *Material Uncertainty Regarding Continuation as a Going Concern*

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 the successful commercialisation of the company's medical products and the successful raising in the future of any necessary funding through debt or equity. 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 THE REMUNERATION REPORT

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. 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.

#### *Auditor's Opinion*

In our opinion, the Remuneration Report of Medigard Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

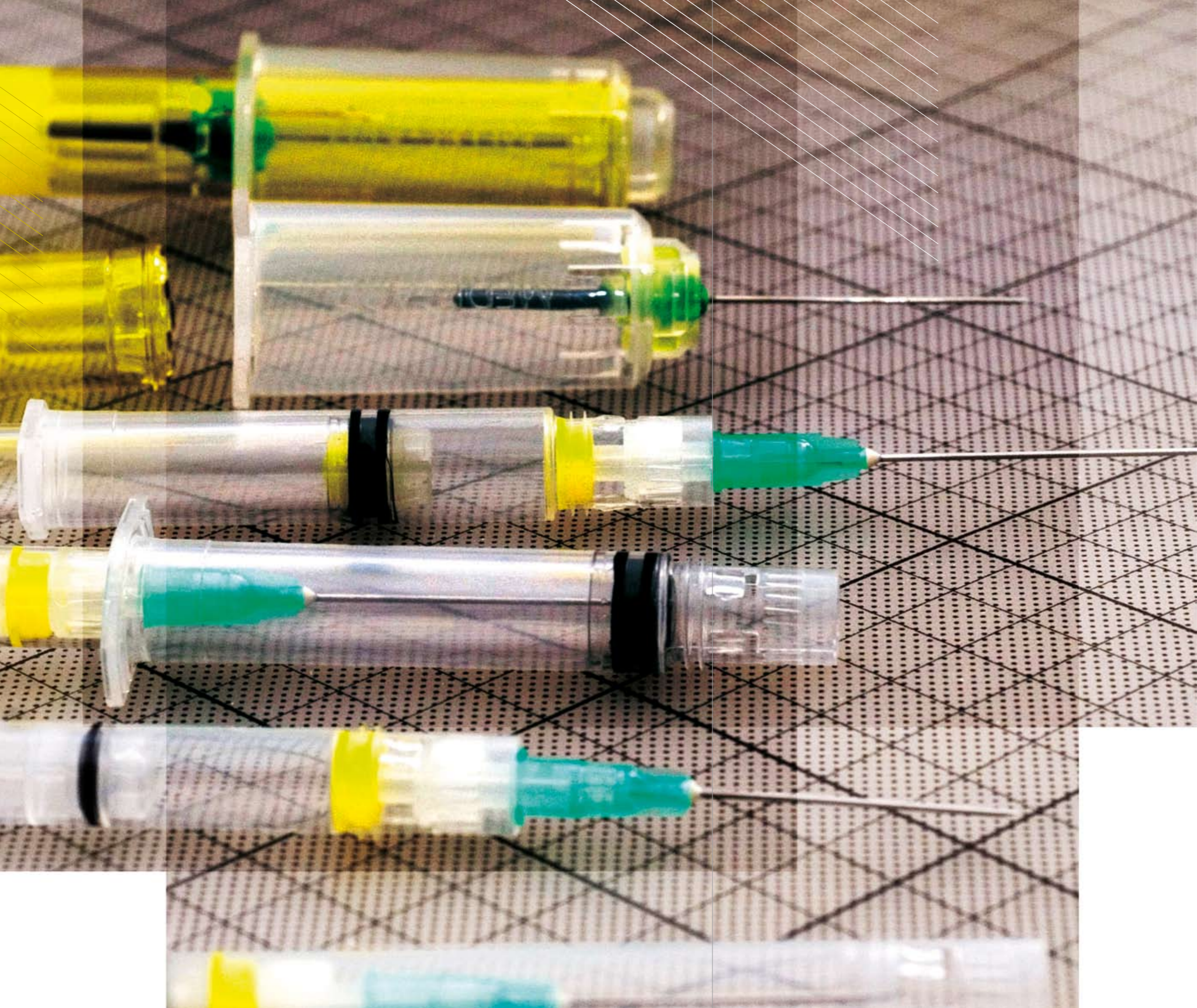
BDO Kendalls (QLD)



A J Whyte  
Partner

Brisbane  
24 September 2009





## CONTACT

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