



# ***Solagran Limited***

## **Appendix 4E – Preliminary Final Report**

(ASX Listing rule 4.2A)

Company Name: Solagran Limited (the 'Company')  
 ABN: 48 002 592 396  
 Reporting Period: Financial year ended 30 June 2014  
 Previous Reporting Period: Financial year ended 30 June 2013

### **Result for Announcement to the Market**

The results of Solagran Limited for the year ended 30 June 2014 are as follows:

Revenue from ordinary activities	Up	29.53%	to	\$2,085,725
Loss after tax attributable to members	Down	19.68%	to	(\$3,930,046)
Net loss for the period attributable to members	Down	19.68%	to	(\$3,930,046)

### **Brief explanation of figures reported above**

Revenue for the period is comprised of sales revenue for Bioeffective products.

The loss for the consolidated entity after income tax for the reporting period was \$3,930,046 (2013: \$4,892,800).

For further details relating to the current period's results, refer to the Operations Report contained within this document. No change to the consolidated entity's structure occurred during the year.

### **Dividends**

No dividends have been paid or declared by the Company since the beginning of the current reporting period. No dividends were paid for the previous reporting period.

### **Net Tangible Assets per Share**

	30 June 2014	30 June 2013
Net Tangible Assets	(\$8,760,106)	(\$4,116,942)
Shares (No.)	343,510,161	343,510,161
Net Tangible Assets per Share (Cents)	(2.55)	(1.20)

### **Earnings/(Loss) per Share**

	30 June 2014	30 June 2013
Basic earnings/(loss) per share	(1.14)	(1.42)
Diluted earnings/(loss) per share	(1.14)	(1.42)

### **Status of Audit of Accounts**

This Appendix 4E is based on accounts which have been audited. The audit report is included within the financial report which accompanies this Appendix 4E.



***Solagran Limited***

**Annual Financial Report  
For the Year Ended 30 June 2014**



# Contents

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Chairman's Letter .....	1
Operations Report .....	3
Directors' Report .....	4
Auditors' Independence Declaration.....	15
Annual Financial Report .....	16
Statement of Profit or Loss and Other Comprehensive Income .....	17
Statement of Financial Position .....	18
Statement of Changes in Equity.....	19
Cash Flow Statement .....	20
Notes to the Financial Statements.....	21
Directors' Declaration.....	56
Independent Auditor's Report.....	57
Shareholder Information .....	60
Corporate Directory.....	61



# Chairman's Letter

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## A message from The Chairman

The 2014/15 financial year has been another challenging time for Solagran since the Company shares stopped trading on 1 March 2012. In the previous 3 to 4 years, the company went through difficult times, which involved several court cases that thankfully finished in Solagran Ltd.'s favour. Nevertheless, we managed to achieve many positive results and even attracted investors into the Company who provided sufficient funds to move forward.

Solagran remains a unique Company whose foundation, as investors well know, tracks back to scientific research commenced at the State Forest Technical Academy in St Petersburg in the 1930's. Over the last 80 years, an enormous volume of research and development has been completed and continues nowadays, forming the foundation of the Company today. Though not reflected in the financial results at this stage, you will understand that what the Company has accumulated so far, on close inspection, provides enough evidence to demonstrate why financial success is imminent. Our patents are in place; products are in place and their applications are also there. It is obvious the company is moving towards real financial success. Much has been accomplished in the preceding 24 months on both a commercial and scientific level. A summary of the key developments are discussed below.

### Unilever Russia

Our relationship is improving every month and becomes stronger. Over 2014 and 2015 Solagran was awarded "Reliable Supplier" rating, which ranks the Company very high out of all suppliers for Unilever Russia. The Company also went through Unilever's social and technological audit, which has been passed and is now on the last stage of the full certification phase. This is planned to be conducted by an independent Dutch organisation appointed by Unilever, in February 2016, to confirm full certification of our Russian subsidiary Solagift. Once completed, this will allow Solagran's products to be used in 28 production facilities of Unilever Worldwide. Today Unilever buys from Solagran an average of 2 tonne CGNC/Chlorophyll Carotene Paste monthly, as well as Balsamic Paste; Pro-Vitamin Concentrate (according to their request); Oil fraction, and is planning to bring another one of our products to market - Water fraction - for oral care (toothpaste, mouth wash etc.) and we are in advanced negotiation with them to expand the range of Bioeffective's for different medical applications. Demand of our aforementioned products according to the existing agreement, will double starting from the second quarter of 2016.

### Vyshny Volochyok Production Facility of Solagran

Due to investment, this production facility which previously had the capacity to produce 1.5 – 2 tonne of CGNC/Chlorophyll Carotene Paste monthly, was expanded and can now produce up to 3 to 3.5 tonne CGNC monthly. It fulfils all Unilever Russia, Australia, Emirates and Malaysian demands so far.

### Bioeffective A

1. Sales of Bioeffective A in the Emirates is on the increase.
2. In Malaysia, Solagran together with its partner Nuvanta, added another successful line extension to the NuvaPine A brand when it launched NuvaPine A 320 in August 2014 (NuvaPine A 160mg was launched in Oct 2010).

Within a year, the sales of NuvaPine A have grown by more than 20% making it the No. 1 selling nutraceutical of the company. Today, NuvaPine A is a multi-million ringgit business.

Now Nuvanta is in the final stages of negotiating the introduction of two of our products to the market – Siberian Red and Bioeffective Gel. They are also planning to look to other opportunities to bring similar clinically researched natural therapeutic products to market to meet the growing demands of consumers. One of the areas of NuvaPine's great interest is Ropen.



3. In Australia, beside successfully selling Bioeffective A rebranded as Taiga A 320, which has now gained a great reputation, we also have Bioeffective Gel in the market, for wounds and burns. Siberian Red drink which was also rebranded as Taiga Siberian Red (referred to as Bioeffective I or water fraction) has also gained popularity and a strong reputation for iron deficiency condition and enhancement of the body's immunity and energy levels.

Demand for Siberian Red in Russia and outside is permanently growing and the first batch with an appropriate concentration of iron in it, was delivered to Vietnam. Other drinks, on the basis of Siberian Red in combination with freshly squeezed juices from wild berries, are selling successfully in Russia with expansion to greater Russian market and various other countries being planned.

### Poultry Industry and Agriculture

A major development took place for the application of some of Solagran's products in the poultry industry and agriculture. The Company is finalizing supply agreements for supplying products to Europe and Asia.

### Tomsk

Solagran is conducting an expansion of its production facility and finishing a new line to meet market demands for obtaining new products for agriculture.

### Patents

All these years, Solagran has never stopped conducting pre-clinical and clinical trials, creating new products and successfully continuing its research and development program. We managed to obtain two major technological patents in America and Europe besides Russia and other countries.

In addition to our protected technology, we obtained patents for applications of Ropren and Bioeffective A for the treatment of different ailments such as Alzheimer conditions; Alcoholic liver cirrhosis and H-Pylori. Just recently, the Company was granted a patent for the treatment of H-Pylori with Bioeffective A in Indonesia. Since 2011, starting from Russia, nine of these patents have been granted in multiple international jurisdictions, including the USA, Europe and Australia. Also recently, Solagran made two new patent applications, which the Company believes will add great value from both a scientific and practical point of view.

All information relating to new developments of the Company will be announced once Solagran Limited re-commences trading.

In conclusion, according to all work performed by the Company so far - the creation of new products; expansion of its market and broadening the wide range of different products with different applications to meet consumer needs - in the near future, we expect that Solagran will not only be self-sufficient but a successful profitable Company, which will increase value for our shareholders who patiently waited for the Company to reach its potential and deliver what has always been envisaged.

Yours sincerely;



Dr. Vagif Soultanov  
Executive Chairman



# Operations Report

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## Overview of Company's Activities

Solagran Limited and its subsidiaries ("the consolidated entity" or "Solagran") continued its focus on market and product development, intellectual property management and research to ensure sales growth. This has all been performed in an environment of significant capital constraint during a period where the consolidated entity was not trading on the Australian Securities Exchange (ASX).

During this period, the consolidated entity has focused on the corporate goal of maximising and protecting value for our shareholders by raising capital recommencing trading on ASX and building a sustainable business with the aim of profitability as soon as practicable.



# Directors' Report

## Directors

The Board of Directors of Solagran Limited present their report on the consolidated entity consisting of Solagran Limited and its controlled entities, (referred to hereafter as 'the consolidated entity'), at the end of, or during, the year ended 30 June 2014. In order to comply with the provisions of the *Corporations Act 2001*, the Board of Directors report as follows:

## Current Directors

The names of the Directors in office at any time during, or since the end of the year are as follows:

Dr. Vagif Soultanov	Executive Chairman
<i>Appointed to the Board</i>	18 June 2003
<i>Experience and expertise</i>	<p>Vagif Soultanov (DSc (Hon), PhD) is the principal founder of Solagran and led the Bioeffectives® research team in St Petersburg in the 1980s.</p> <p>Dr. Soultanov holds a doctoral qualification in both organic and biochemistry, and is a registered medical practitioner in Russia. He first came to Australia in 1990 to work with the CSIRO Division of Forest Products as part of an inter-governmental scientific exchange program. He has published over 160 scientific papers in Russia and internationally and holds a number of patents.</p> <p>Dr. Soultanov is responsible for the Research and Development activities of Solagran Limited.</p>
<i>Interest in shares</i>	2,815,391 ordinary shares (directly held) 4,921,034 ordinary shares (indirectly held)
<i>Interest in options</i>	Nil
<i>Committees</i>	Nil
<i>Current or former directorships held in other listed entities within the last 3 years</i>	Nil
Mr. Alexander Kurganov	Executive Director
<i>Appointed to the Board</i>	6 February 2009
<i>Experience and expertise</i>	<p>Alexander Kurganov is General Director of SibEX LLC based in Tomsk Siberia, the 100% owned subsidiary of Solagran, Australia. He has been a lecturer in science at the Tomsk Polytechnic University and has 5 patents (Russian Federation) and 21 publications. He directed the construction of the world's first facility to produce polyprenols from conifer species.</p>
<i>Interest in shares</i>	4,500,000 ordinary shares (indirectly held)
<i>Interest in options</i>	Nil
<i>Committees</i>	Nil
<i>Current or former directorships held in other listed entities within the last 3 years</i>	Nil



## Directors' Report *(continued...)*

<b>Mr. Andi Solaiman</b> <b>Non-Executive Director</b>	
<i>Appointed to the Board</i>	27 July 2009
<i>Resigned from the Board</i>	23 September 2015
<i>Experience and expertise</i>	<p>Andi Solaiman (B.Bus., MBA) holds a number of senior positions within the Salim Group. He is a director of AsiaMedic Limited, Interflour Holdings Limited and Universal Integrated Corporation Consumer Products Pty Ltd. He is also the President, Director and Chief Executive Officer of PT Indokemika Jayatama.</p> <p>Mr Solaiman completed the executive program at the University of Pennsylvania – Wharton Business School in 2005. He currently resides in both Singapore and Jakarta where the Salim Group's main administrative offices are located.</p>
<i>Interest in shares</i>	Nil
<i>Interest in options</i>	Nil
<i>Committees</i>	Nil
<i>Current or former directorships held in other listed entities within the last 3 years</i>	Nil

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

### Company Secretary

<b>Mr. Justyn Stedwell</b> <b>Company Secretary</b>	
<i>Date of appointment</i>	9 July 2009
<i>Resigned</i>	22 January 2014
<i>Experience and expertise</i>	<p>Mr Stedwell is a professional Company Secretary with over seven years' experience as a Company Secretary in ASX listed companies within various industries including IT &amp; Telecommunications, Biotechnology and mining.</p> <p>Mr Stedwell has completed a Bachelor of Business &amp; Commerce (Management &amp; Economics) at Monash University, a Graduate Diploma of Accounting at Deakin University, a Graduate Diploma in Applied Corporate Governance with Chartered Secretaries Australia and Graduate Certificate of Applied Finance with Kaplan Professional.</p>
<i>Interest in shares</i>	Nil
<i>Interest in options</i>	Nil





## Principal Activity

The principal activity of Solagran Limited is the ongoing research and commercial development of its flagship product Bioeffectives® along with the extension of the consolidated entity's patent protection surrounding the methods of extraction and application of Bioeffectives® and its by-products.

## Dividends

The Directors did not declare or pay any dividends during the financial year. The Directors do not recommend the payment of a dividend in respect of the 2014 financial year.

## Significant Changes in State of Affairs

Other than what has already been disclosed, there were no other significant changes in the state of affairs of the consolidated entity during the 2014 reporting period.

The Russian subsidiaries of Solagran have completed a restructure over the past four years. The restructure now has Solagran well positioned for the future with a more simplified and less complex, structure. The holding company Solgran Son owns all of the companies within the Russian group.

In the restructure the following occurred:

- Due to financial difficulties, inefficiencies and duplication of functions and tasks, the companies Solagran Son, Sibex, Biotech and Darius went through liquidation procedures.
- For the effective implementation of production activity, a new company, Dana LLC was established to which all assets concentrated in the Tomsk region were transferred.
- For production activity Vyshny Volochyok, a new company, Solalife LLC was established, which has acquired the production facility and land, previously leased by Biotech LLC from ARFEDA LLC.
- Trading and marketing tasks are now concentrated in the company LLC Solagift, a resident of Tomsk's Special Economic Zone.
- For the implementation of management and administration functions, a new company, Business Invest Consulting (BIC) LLC was established.
- Finally, a new company, Solagran Son LLC, was established which is wholly owned by Solagran Limited Australia. Solagran Son LLC manages and controls the entire Russian Group of companies consisting of Solagift, Dana, Solalife and BIC.

Consequently, an integrated structure of the Russian Group fully controlled by Solagran Limited was developed, entirely satisfying its requirements with clear delineation of assigned functions. Management believe the new structure will better fit the needs of Solagran going forward.

During the financial year, debt was obtained in the form of loan and converting notes. The debt is convertible to equity, subject to shareholder approval, at the consolidated entity's next General Meeting of shareholders.

## Significant Events after Balance Date

There have not been any matters or circumstances, other than that referred to in note 28 to the financial statements that have arisen since the end of the financial year, which have, or may, significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future periods.



## **Likely Developments and Expected Results**

The likely developments in the consolidated entity's operations, to the extent that such matters can be commented upon, are covered in the 'Operations Report'.

## **Operating and Financial Review**

The loss of the consolidated entity after income tax for the financial year was \$3,930,046 (2013: loss \$4,892,800). This result has been achieved after fully expensing all research and development costs incurred.

At 30 June 2014, the consolidated entity had cash reserves of \$10,404 (2013: \$48,613).

The 'Operations Report' provides further detail surrounding the progress made by the consolidated entity during the financial period, which have contributed to its results for the 2014 financial year.

## **Risk Management**

The Board is responsible for overseeing the establishment and implementation of the risk management system, and to review and assess the effectiveness of the consolidated entity's implementation and functionality of those systems on a regular basis.

## **Environmental Regulation and Performance**

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the measurement period 1 July 2013 to 30 June 2014, the Directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

In Tomsk, SiBEX complies with certain environmental regulations relating to the collection of raw materials under an agreement with local regulatory authorities. To the best of the Director's knowledge, the scientific research activities undertaken by, or on behalf of, the consolidated entity are in full compliance with all prescribed environmental regulations.



# Directors' Report *(continued...)*

## Meetings of Directors

During the financial year, 1 meeting of Directors was held. Attendances by each Director during the year were as follows:

Current Directors	Board Meetings	
	No. eligible to attend	No. attended
Dr Vagif Soultanov	1	1
Mr Alexander Kurganov	1	1
Mr Andi Solaiman	1	-

## Indemnification and Insurance of Directors and other Officers

The consolidated entity has indemnified its Directors and Officers for costs incurred, in their capacity as a Director or Officer, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the consolidated entity paid a premium in respect of a contract to insure the Directors and Officers of the consolidated entity against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of such a liability, and the amount of the premium paid.

## Indemnification and Insurance of Auditors

The consolidated entity has not during, or since the end of the financial year, indemnified, or agreed to indemnify, the consolidated entity's Auditor, or any related entity against a liability incurred by the Auditor.

During the financial year, the consolidated entity did not pay a premium in respect of a contract to insure the Auditor of the consolidated entity or any related entity.

## Shares under option

As at the date of this report, Solagran had no unissued ordinary shares under option.

## Proceedings on Behalf of the Consolidated Entity

On 24 August 2010, Solagran was joined as a party to proceedings commenced by Gun Capital Management Pty Ltd alleging misrepresentation under the Trade Practices Act. On 21 June 2013, the court ordered that the application and cross claim be dismissed and that the question of costs should be reserved and listed for hearing at a future date.

Subsequently, after both parties attended a failed court directed mediation in July 2014 to agree on costs payable by Gun Capital to Solagran et al, the matter was referred to Court for Taxation and costs were subsequently settled. Upon due consideration by the Board of Solagran it was determined that no contingent liability exists in relation to this matter at 30 June 2014.

There are no proceedings on behalf of the Consolidated Entity pursuant to section 237 of the Corporations Act 2001.

## Non-Audit Services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 29 of these the financial statements. The Board of Directors has considered the position and is satisfied the provision of non-audit services during the year was compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.



The directors are satisfied that the provision of non-audit services by the auditor, as set out in note 29, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Board of Directors to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

### **Auditor's Independence Declaration**

The Auditors Independence Declaration as required under section 307C of the Corporations Act 2001 for the year ended 30 June 2014, has been received and can be found in the 'Auditor's Independence Declaration' section of this Financial Report.

### **Corporate Governance**

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Solagran support and adhere to good corporate governance practices.



## Remuneration Report *(Audited)*

This Remuneration Report outlines the Director and Executive remuneration arrangements of the consolidated entity as required by the Corporations Act 2001 and its Regulations.

This report details the nature and amount of remuneration of each Director of the consolidated entity and all other Key Management Personnel.

For the purposes of this report, Key Management Personnel (KMP) are defined as those persons having authority and responsibility for planning, directing, and controlling the major activities of the consolidated entity, directly or indirectly, including any Director (whether Executive or otherwise) of the consolidated entity.

The Directors of the consolidated entity during the year were:

Dr Vagif Soultanov	Executive Chairman	
Mr Alexander Kurganov	Executive Director	
Mr Andi Solaiman	Non-Executive Director	<i>(Resigned: 23 September 2015)</i>

The other Key Management Personnel of the consolidated entity during the year were:

Dr Darren Schliebs	Chief Executive Officer	<i>(Appointed: 25 November 2013)</i>
Mr Justyn Stedwell	Company Secretary	<i>(Resigned: 22 January 2014)</i>

### *i. Section A: Principles used to determine the nature and amount of Remuneration*

#### **Remuneration Policy**

The Remuneration Policy ensures that Directors and Senior Management are appropriately remunerated having regard to their relevant experience, industry norms/standards, and the general pay environment as appropriate. The Remuneration Policy has been established to enable the consolidated entity to attract, motivate, and retain suitably qualified Directors and Senior Management who will create value for shareholders.

The Board reviews the remuneration packages and policies applicable to the Directors and other officers of the consolidated entity on an annual basis. Where necessary the Board obtains independent advice on the appropriateness of remuneration packages. There has been no relationship between the Board's policy for the determination of Key Management Personnel remuneration and the entity's performance in the previous 5 years.

#### **Non-Executive Director Remuneration**

##### ***Objective***

The Non-Executive Directors have not been remunerated during the year.

##### ***Structure***

The consolidated entity's Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time-to-time at a General Meeting of shareholders. An amount (not exceeding the amount approved at the General Meeting) is determined by the Board and then divided between the Non-Executive Directors as agreed. The latest determination was at the General Meeting held on 13 November 2001 when shareholders approved the aggregate maximum sum to be paid or provided as remuneration to the Directors as a whole (other than the Executive Chairman and Executive Directors) for their services as \$300,000 per annum.



In the year ended 30 June 2014, the Non-Executive Directors were remunerated in aggregate \$Nil per annum, excluding superannuation. The Non-Executive Director agreed not to be remunerated to assist the consolidated entity.

The manner in which the aggregate remuneration is apportioned amongst Non-Executive Directors is reviewed periodically.

The Board is responsible for reviewing its own performance. Board, and Board Committee performance, is monitored on an informal basis throughout the year.

No retirement benefits are payable other than statutory superannuation, if applicable.

### **Executive Director and Executive Officer Remuneration**

#### **Objective**

The Remuneration Policy ensures that Executive Directors are appropriately remunerated having regard to their relevant experience, individual performance, the performance of the consolidated entity, industry norms/standards and the general pay environment as appropriate.

#### **Structure**

The performance of the Executive Chairman and Senior Executives are monitored on an informal basis throughout the year and a formal evaluation is performed annually.

#### **Fixed Remuneration**

Executives' fixed remuneration comprises salary and superannuation and is reviewed annually by the Executive Chairman, and in turn, the Board. This review takes into account the Executives' experience and performance in achieving agreed objectives and market factors as appropriate.

#### **Variable Remuneration – Short Term Incentive Scheme**

All Executives are entitled to participate in the Employee Short Term Incentive Scheme which provides for annual cash bonuses for outstanding performance in the achievement of key corporate and individual objectives. The Board approves the issuance of cash bonuses following the recommendations of the Executive Chairman in his review of the performance of the Executives and the consolidated entity as a whole.

#### **Variable Remuneration – Long Term Incentive Scheme**

Executives may also be provided with longer-term incentives through the consolidated entity's Employee Option Plan, to allow the Executives to participate in, and benefit from, the growth of the consolidated entity as a result of their efforts, and to assist in motivating and retaining those key employees over the long term. Continued service is the condition attached to the vesting of the options. The Board at its discretion determines the total number of options granted to each Executive. There were no options granted under the Long Term Incentive Scheme during the 2014 financial year.

# Directors' Report

## ii. Section B: Details of Remuneration

### Details of Remuneration for the year ended 30 June 2014

The remuneration for each Director and each of the other Key Management Personnel of the consolidated entity during the year ended 30 June 2014 was as follows:

30 June 2014 \$	Short-term Employee Benefits		Long-term benefits	Post - Employment Benefits	Share Based Payments \$	Total \$
	Salary and Fees \$	Other \$	Long Service Leave \$	Pension and Super Contribution \$		
<b><u>DIRECTORS</u></b>						
Vagif Soultanov	-	-	-	-	-	-
Mr Alexander Kurganov	54,363	-	-	8,886	-	63,249
Mr Andi Solaiman*	-	-	-	-	-	-
<b>Total</b>	<b>54,363</b>	<b>-</b>	<b>-</b>	<b>8,886</b>	<b>-</b>	<b>63,249</b>
<b><u>KEY MANAGEMENT PERSONNEL</u></b>						
Dr Darren Schliebs	90,411	-	-	14,315	60,274	165,000
Justyn Steadwell	3,751	-	-	347	6,150	10,248
<b>Total</b>	<b>94,162</b>	<b>-</b>	<b>-</b>	<b>14,662</b>	<b>66,424</b>	<b>175,248</b>

### Details of Remuneration for the year ended 30 June 2013

The remuneration for each Director and each of the other Key Management Personnel of the consolidated entity during the year ended 30 June 2013 was as follows:

30 June 2013 \$	Short-term Employee Benefits		Long-term benefits	Post-Employment Benefits	Share Based Payments \$	Total \$
	Salary and Fees \$	Other \$	Long Service Leave \$	Pension and Super Contribution \$		
<b><u>DIRECTORS</u></b>						
Vagif Soultanov	-	-	-	-	-	-
Mr Alexander Kurganov	57,160	-	-	8,078	-	65,238
Mr David Croll	35,975	-	-	3,238	-	39,213
Mr Andi Solaiman*	-	-	-	-	-	-
<b>Total</b>	<b>93,135</b>	<b>-</b>	<b>-</b>	<b>11,316</b>	<b>-</b>	<b>104,451</b>
<b><u>KEY MANAGEMENT PERSONNEL</u></b>						
Justyn Stedwell	12,320	9,590	-	1,109	-	23,019
<b>Total</b>	<b>12,320</b>	<b>9,590</b>	<b>-</b>	<b>1,109</b>	<b>-</b>	<b>23,019</b>

\*Mr Andi Solaiman resigned from the board of Solagran Limited on 23 September 2015.

None of the remuneration in the above table is performance based or consists of options.



# Directors' Report *(continued...)*

## iii. Section C: Equity Holdings

### a) Shareholdings

The number of shares in the consolidated entity held during the financial year by each Director and other Key Management Personnel of the consolidated entity, including their personal related parties, are set out below.

No shares were granted to Directors and Key Management Personal during the period as compensation.

30 June 2014	Balance at start of the year	Granted as Compensation	Options or Rights Exercised	Net Change Other	Balance at end of the year	Balance held nominally at the end of the reporting period
<b>Directors</b>						
Vagif Soultanov	7,736,425	-	-	-	7,736,425	4,921,034
Alexander Kurganov*	4,500,000	-	-	-	4,500,000	4,500,000
<b>Total</b>	<b>12,236,425</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,236,425</b>	<b>9,421,034</b>

\* Mr Alexander Kurganov retains a beneficial ownership of the shares issued as consideration for the acquisition of SibEX LLC.

No other Key Management Personnel hold shares or options.

## iv. Section D: Employment Contracts of Key Management Personnel

Service agreements in place between the consolidated entity and any of its Directors or other Key Management Personnel are confirmed by management and consulting fees and salaries are approved at board level. Consulting fees and salaries agreements have been confirmed by management. In order to protect the consolidated entity's viability all staff, Executive and non-executive, agreed to an average of 20% salary reduction. Further, all staff have agreed to invest 40% of their salary in this period, into consolidated entity equity.

## v. Section E: Additional Information

### (a) Director's Fees

During the financial years ended 30 June 2014 and 2013, no Directors fees were paid to any of the Directors as part of their remuneration.

### (b) Equity issued as part of remuneration for the year ended 30 June 2014

During the financial years ended 30 June 2014 and 2013, no options were granted or exercised by any of the Directors or other Key Management Personnel.

### (c) Loans to Directors and Other Key Management Personnel

There were no loans made to Directors or other Key Management Personnel of the consolidated entity, including their personal related parties.





## Directors' Report *(continued...)*

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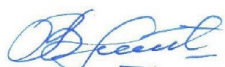
### (d) Other transactions with Other Key Management Personnel

Transactions between Key Management Personnel are on normal commercial terms and conditions no more favorable than those available to other parties unless otherwise stated. Transactions with related parties are as follows:

The consolidated entity's Executive Chairman, Dr Vagif Soultanov, is also a director and shareholder of Eastok Pty Ltd, which provided administration services and office facilities to the consolidated entity during the financial year.

Administration Services	2014 \$	2013 \$
Payment for rental of storage space, office facilities and for staffing:		
Services provided by Eastok Pty Ltd	122,609	55,409
Expenses incurred relative to Research and Development	91,085	34,857
<b>Total</b>	<b>213,694</b>	<b>90,266</b>

This report is made in accordance with a resolution of Directors.



Dr Vagif Soultanov  
**Executive Chairman**

Dated: This, the 14<sup>th</sup> Day of December 2015.



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### **Auditor's Independence Declaration To the Directors of Solagran Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Solagran Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



M. A. Cunningham  
Partner - Audit & Assurance

Melbourne, 14 December 2015

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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***Solagran Limited***

## **Annual Financial Statements**

### **For the year ended 30 June 2014**



# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

	Note	Consolidated Entity	
		2014	2013
		\$	\$
Revenue	2	2,085,725	1,610,255
Other income	2	461,968	730,650
Changes in inventory of Finished Goods and WIP		(553,341)	(151,909)
Raw Materials and consumables used		(1,007,714)	(1,774,650)
Depreciation expense		(400,643)	(352,739)
Corporate administration expenses	3	(856,413)	(1,308,774)
Employee expenses		(1,399,613)	(1,421,526)
Impairment expenses	3	(1,201,818)	(988,058)
Research and development expenses		(261,841)	(250,897)
Finance expenses		(653,508)	(666,292)
Unrealised foreign exchange gain		(232)	(38,796)
Other expenses		(142,614)	(280,064)
<b>Loss before income tax</b>		<b>(3,930,046)</b>	<b>(4,892,800)</b>
Income tax benefit/(expense)	4	-	-
<b>Loss for the Year</b>		<b>(3,930,046)</b>	<b>(4,892,800)</b>
<u>Other Comprehensive Income/(Loss) for the Year:</u>			
Unrealised (gain)/loss on investment		-	-
Foreign currency translation differences		(839,393)	1,142,750
<b>Total Comprehensive Income/(Loss) for the Year</b>		<b>(4,769,439)</b>	<b>(3,750,050)</b>

	Note	2014	2013
		Cents	Cents
Loss per share for loss attributable to the ordinary equity holders of the consolidated entity:			
Basic loss per share	5	(1.14)	(1.42)
Diluted loss per share	5	(1.14)	(1.42)

The accompanying notes form part of these financial statements.



# Statement of Financial Position

As at 30 June 2014

		Consolidated Entity	
	Note	2014 \$	2013 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	10,404	48,613
Trade and other receivables	7	396,128	276,143
Inventories	8	6,734,299	7,287,641
Other assets		107,022	96,316
<b>Total Current Assets</b>		<b>7,247,853</b>	<b>7,708,713</b>
<b>Non-Current Assets</b>			
Other financial assets	9	29,517	9,839
Property, plant and equipment	11	6,214,457	6,748,781
Other assets		85,796	8,046
<b>Total Non-Current Assets</b>		<b>6,329,770</b>	<b>6,766,666</b>
<b>TOTAL ASSETS</b>		<b>13,577,623</b>	<b>14,475,379</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	5,067,486	3,390,753
Interest-bearing liabilities	14	16,697,591	14,746,969
Other borrowings	15	318,946	239,152
Provisions	17	143,384	129,907
<b>Total Current Liabilities</b>		<b>22,227,407</b>	<b>18,506,781</b>
<b>Non-Current Liabilities</b>			
Provisions	17	110,322	85,540
<b>Total Non-Current Liabilities</b>		<b>110,322</b>	<b>85,540</b>
<b>TOTAL LIABILITIES</b>		<b>22,337,729</b>	<b>18,592,321</b>
<b>NET ASSETS</b>		<b>(8,760,106)</b>	<b>(4,116,942)</b>
<b>EQUITY</b>			
Contributed equity	18	79,393,130	79,393,130
Reserves	19	2,860,473	3,573,591
Accumulated losses		(91,013,709)	(87,083,663)
<b>TOTAL EQUITY</b>		<b>(8,760,106)</b>	<b>(4,116,942)</b>

The accompanying notes form part of these financial statements.



# Statement of Changes in Equity

For the year ended 30 June 2014

Consolidated Entity	Contributed Equity	Acquisition of NCI Reserve	Share-Based Payment Reserve	Foreign Currency Translation Reserve	Non- Controlling Interest	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$	\$	\$
<b>As at 30 June 2012</b>	<b>79,393,130</b>	<b>(877,460)</b>	<b>3,099,219</b>	<b>209,082</b>	<b>-</b>	<b>(82,190,863)</b>	<b>(366,892)</b>
Loss for the Year	-	-	-	-	-	(4,892,800)	<b>(4,892,800)</b>
<i>Other Comprehensive Income / (Loss):</i>							
Foreign currency translation reserve difference	-	-	-	1,142,750	-	-	1,142,750
<b>Total Comprehensive Income/(Loss) for the Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,142,750</b>	<b>-</b>	<b>(4,892,800)</b>	<b>(3,750,050)</b>
<b>As at 30 June 2013</b>	<b>79,393,130</b>	<b>(877,460)</b>	<b>3,099,219</b>	<b>1,351,832</b>	<b>-</b>	<b>(87,083,663)</b>	<b>(4,116,942)</b>
Loss for the Year	-	-	-	-	-	(3,930,046)	(3,930,046)
<i>Other Comprehensive Income / (Loss):</i>							
Foreign currency translation reserve difference	-	-	-	(839,393)	-	-	(839,393)
<b>Total Comprehensive Income/(Loss) for the Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(839,393)</b>	<b>-</b>	<b>(3,930,046)</b>	<b>(4,769,439)</b>
<i>Transactions with Owners in their Capacity as Owners:</i>							
Contributions of equity net of transaction costs	-	-	126,275	-	-	-	<b>126,275</b>
<b>As at 30 June 2014</b>	<b>79,393,130</b>	<b>(877,460)</b>	<b>3,225,494</b>	<b>512,439</b>	<b>-</b>	<b>(91,013,709)</b>	<b>(8,760,106)</b>

The accompanying notes form part of these financial statements.



# Cash Flow Statement

For the year ended 30 June 2014

	Notes	Consolidated Entity	
		2014	2013
		\$	\$
<b><u>CASH FLOWS RELATED TO OPERATING ACTIVITIES</u></b>			
Cash receipts from customers		924,335	1,112,061
Payments to suppliers and employees		(2,813,303)	(3,972,055)
Research and development tax rebate		303,393	273,532
Interest received		149,625	119,125
Interest and other costs of finance paid		(188,508)	(201,292)
<b>NET OPERATING CASH FLOWS</b>	<b>20</b>	<b>(1,624,458)</b>	<b>(2,668,629)</b>
<b><u>CASH FLOWS RELATED TO INVESTING ACTIVITIES</u></b>			
Proceeds from / (payment for) purchases of property, plant and equipment		-	(1,128,653)
<b>NET INVESTING CASH FLOWS</b>		<b>-</b>	<b>(1,128,653)</b>
<b><u>CASH FLOWS RELATED TO FINANCING ACTIVITIES</u></b>			
Proceeds from borrowings		1,565,416	3,737,780
<b>NET FINANCING CASH FLOWS</b>		<b>1,565,416</b>	<b>3,737,780</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(59,042)</b>	<b>(59,502)</b>
Cash and cash equivalents at the beginning of the year	<b>6</b>	48,613	126,495
Effects of exchange rate changes on cash and cash equivalents		20,833	(18,380)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>6</b>	<b>10,404</b>	<b>48,613</b>

The accompanying notes form part of these financial statements.



## **Note 1. Statement of Significant Accounting Policies**

### **Corporate Information**

Solagran Limited is a company limited by shares incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange (ASX).

The financial report was authorised for issue in accordance with a resolution of the Directors on 14<sup>th</sup> December 2015.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. These financial statements are for the consolidated entity consisting of Solagran Limited and its subsidiaries.

### **Basis of preparation**

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and *Corporations Act 2001*.

#### ***i. Compliance with IFRS***

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

#### ***ii. Historical cost convention***

These financial statements have been prepared under the historical cost convention as modified by the revaluation of available for sale financial assets.

#### ***iii. Critical accounting estimates and significant judgements***

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the consolidated entity's accounting policies.

The consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities if they were to significantly change within the next financial year are discussed below.

#### ***iv. Non-capitalisation of clinical trial research and development costs***

Due to the high element of risk and uncertainty associated with the development of pharmaceutical products the consolidated entity elects to expense all ongoing patent costs and all research and development costs. This is consistent with other companies in the Biotech sector in the same stage of development as the Solagran Group.

#### ***v. Valuation of Inventories***

The consolidated entity values inventories at the lower of cost or net realisable value. Following an assessment of inventory carrying values at 30 June 2014, Solagran determined that \$160,413 should be written-off as obsolete in the accounts.





**vi. *Useful lives and residual values of depreciable assets***

Management has applied judgement in estimating the useful lives and residual values of depreciable assets based on the expected utility of the assets.

**vii. *Impairment testing of indefinite life intangible assets and goodwill.***

The consolidated entity tests annually whether intangible assets with an indefinite useful life have suffered any impairment in accordance with the accounting policy stated in note 1(f). The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions. Details of the assumptions used can be found in note 12.

The recoverability of the amount of goodwill and indefinite life of intangible assets is based upon Solagran Limited and its controlled entities being able to continue as a going concern, by the way of raising further capital in order to meet expenditure commitments to be able to successfully exploit the company's product and technologies in excess of the carrying value of goodwill and other intangibles.

The recoverable amount of investments held by the parent entities is based on the net asset value in conjunction with terminal value calculations.

**viii. *Recognition of deferred tax assets***

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the consolidated entity's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

### **Going Concern**

For the year ended 30 June 2014, the consolidated entity incurred a loss of \$3,930,046 (2013 loss: \$4,892,800) as it continued to further invest in drug development, new product development, capital outlay and corporate initiatives. As at year end, the consolidated entity's net assets stood at (\$8,760,106) (2013: \$4,116,942) with available cash of \$10,404 (2013: \$48,613). For the year ended 30 June 2014, the consolidated group had net cash outflows from operating activities totalling (\$1,624,458) (2013: \$2,668,629).

The consolidated entity has issued multiple "Loan and Converting Note" agreements since it suspended trading on the ASX. These arrangements to fund the consolidated entity were cash loans to Solagran, or recognition for in kind contribution. The cash value is to convert to equity after approval by shareholders; upon conversion no interest is either payable or added to the loan principal. Funds were used for working capital, capital upgrades and investment in intellectual property (patent lodging, maintenance and research).

The total amount of all such "Loan and Converting Note" agreements is \$17,445,500 at December 2015. All holders of such "Loan and Converting Note" agreements have signed further documentation providing the necessary notice to convert the loan to equity at 3c per share for the issue of 581,516,667 ordinary shares after Solagran obtains the necessary shareholder approval. The consolidated entity aims to hold a general meeting of the shareholders to obtain such approval, amongst other matters, as soon as practicable after the filing of the consolidated entity's accounts.

The financial report has been prepared on a going concern basis on the assumption that sufficient funding will be available through loans from existing shareholders and/or further capital placements. The consolidated entity is seeking to minimise the funds required through loans and/or capital placements by focusing on maximising revenue from existing research and products, through improved marketing, increased customer access, new product registrations in new territories and new product development. Additionally the consolidated entity recently invested approximately \$610,000 on capital outlay in the consolidated entity



production facilities in Russia, with additional capital upgrades planned. Such upgrades are to meet the growth in demand from key customers in Russia, demand which currently exceeds our production capacity.

The directors have a history of successfully raising capital and are confident one of the above funding sources will result in an injection of cash. Accordingly, the Directors believe that the value of the consolidated entity's existing net assets will generate sufficient funds for the consolidated entity to continue to operate in its normal manner.

In common with other biotechnology and drug development companies, the consolidated entity's operations are subject to considerable risks and uncertainty due primarily to the nature of the development and commercialisation undertaken. To allow the consolidated entity to execute its near term and longer term plans, it will be necessary to raise additional capital or secure funding through commercial transactions in the future. Accordingly, there remains uncertainty concerning the consolidated entity's ability to continue as a going concern for a further 12 months as defined in current accounting standards.

Based on the reduced cash flow requirements of the consolidated entity, the Directors consider that the consolidated entity is likely to have sufficient available funds to support operations and will manage the availability of resources over the immediate term.

Should the consolidated entity be unsuccessful in its funding activities noted above, significant uncertainty as to whether the consolidated entity will be able to continue as a going concern would exist and therefore, whether it will be able to realise its assets, specifically property plant and equipment and inventory balances, and settle its liabilities and commitments in the normal course of business.



## Amendments to Australian Accounting Standards

The Company has applied to following standards and amendments for the first time for their annual reporting period commencing 1 July 2013:

Ref	Title	Summary
AASB 10	AASB 10 <i>Consolidated Financial Statements</i>	<p>AASB 10 replaces the existing consolidation requirements in AASB 127 Consolidated and Separate Financial Statements and Interpretation 112 Consolidation – Special Purpose Entities and requires management to exercise significantly more judgement to determine which entities are controlled.</p> <p>AASB 10 is based on a new principles-based definition of control and applies to all types of investees, including special purpose entities (which are now called 'structured entities'). AASB 10 does not change how to prepare consolidated financial statements.</p> <p>The adoption of these amendments has not had a material impact on the consolidated entity.</p>
AASB 11	AASB 11 <i>Joint Arrangements</i>	<p>AASB 11 replaces AASB 131 Interests in Joint Ventures and AASB Interpretation 113 Jointly controlled Entities – Non-monetary Contributions by Ventures.</p> <p>AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. It replaces AASB 131's three categories of 'jointly controlled entities', 'jointly controlled operations' and 'jointly controlled assets' with two (2) new categories (being 'joint operations' and 'joint ventures'), and removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation.</p> <p>The determination between the two categories is dependent on the nature of the rights and obligations arising from the arrangement.</p> <p>The adoption of these amendments has not had a material impact on the consolidated entity.</p>
AASB 12	AASB 12 <i>Disclosure of Interest in Other Entities</i>	<p>AASB 12 is a comprehensive disclosure standard containing all the disclosure requirements relating to subsidiaries, joint arrangements, associates and unconsolidated structured entities. It combines the existing disclosures in AASB 127, AASB 128 and AASB 131, and introduces a range of new disclosure requirements, including:</p> <ul style="list-style-type: none"> <li>• significant judgements and assumptions made in determining whether control, joint control and significant influence exists</li> <li>• significant restrictions on investor's ability to access/use subsidiary's assets and liabilities</li> <li>• maximum exposure to loss arising from involvement with unconsolidated structured entities</li> <li>• financial or other support provided to unconsolidated structured entities when there is no obligation to do so and any current intentions to provide such support.</li> </ul> <p>The adoption of these amendments has not had a material impact on the consolidated entity.</p>
AASB 13	AASB 13 <i>Fair Value Measurement</i>	<p>AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted by other Standards. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.</p> <p>The adoption of these amendments has not had a material impact on the consolidated entity.</p>



Ref	Title	Summary
AASB 119	<i>AASB 119 Employee Benefits</i>	<p>The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets.</p> <p>The adoption of these amendments has not had a material impact on the consolidated entity.</p>
AASB 127	<i>AASB 127 Separate Financial Statements</i>	<p>As a result of the issuance of AASB 10, AASB 127 has been restructured and reissued to only deal with separate financial statements.</p> <p>The adoption of these amendments has not had a material impact on the consolidated entity.</p>
AASB 128	<i>AASB 128 Investments in Associates and Joint Ventures</i>	<p>Once an entity (using AASB 11) has determined that it has an interest in a joint venture, it accounts for it using the equity method in accordance with AASB 128 (Revised). The mechanics of equity accounting set out in the revised version of AASB 128 remain the same as in the previous version.</p> <p>The adoption of these amendments has not had a material impact on the consolidated entity.</p>
AASB 1053	<i>AASB 1053 Application of Tiers of Australian Accounting Standards</i>	<p>This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:</p> <p>The adoption of these amendments has not had a material impact on the consolidated entity.</p>
AASB 2011-4	<i>AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]</i>	<p>The Standard deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.</p> <p>The adoption of these amendments has not had a material impact on the consolidated entity.</p>
AASB 2011-7	<i>AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standard</i>	<p>This Standard makes consequential amendments to various Australian Accounting Standards arising from the issuance of AASB 10, AASB 11, AASB 12, AASB 127.</p> <p>The adoption of these amendments has not had a material impact on the consolidated entity.</p>
AASB 2011-8	<i>AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13</i>	<p>AASB 2011-8 incorporates the consequential amendments arising from the issuance of AASB 13.</p> <p>The adoption of these amendments has not had a material impact on the consolidated entity.</p>
AASB 2011-10	<i>AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)</i>	<p>AASB 2011-11 incorporates the consequential amendments arising from the issuance of AASB 119.</p> <p>The adoption of these amendments has not had a material impact on the consolidated entity.</p>



Ref	Title	Summary
AASB 2011-12	AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20	AASB 2011-12 incorporates the consequential amendments arising from the issuance of Interpretation 20.  The adoption of these amendments has not had a material impact on the consolidated entity.
AASB 2012-2	AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.  The adoption of these amendments has not had a material impact on the consolidated entity.
AASB 2012-5	AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle	These amendments are a consequence of the annual improvements process, which provides a vehicle for making non-urgent but necessary amendments to Standards. These amendments follow the issuance of Annual Improvements to IFRSs 2009–2011 Cycle issued by the International Accounting Standards Board in May 2012.  The adoption of these amendments has not had a material impact on the consolidated entity.
AASB 2012-6	AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures	This Standard amends the mandatory effective date of AASB 9 Financial Instruments so that AASB 9 is required to be applied for annual reporting periods beginning on or after 1 January 2015 instead of 1 January 2013. This Standard also modifies the relief from restating prior periods by amending AASB 7 Financial Instruments: Disclosures to require additional disclosures on transition from AASB 139 Financial Instruments: Recognition and Measurement to AASB 9 in some circumstances.  The adoption of these amendments has not had a material impact on the consolidated entity.

Other than the amended accounting policies listed above, all other accounting policies adopted by the Company are consistent with the most recent Annual Report for the year ended 30 June 2013.



## Notes to the Financial Statements *(continued...)*

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and therefore have not been adopted by the Company for the annual reporting period ended 30 June 2014:

New / revised pronouncement	Superseded pronouncement	Nature of change	Application date of standard	Impact on financial report
AASB 9 Financial Instruments (December 2013) & AASB 2013-1 Amendments to Australian Accounting Standards (Part E: Financial Instruments) & AASB 2013-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2013) & AASB 2013-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2013) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)	AASB 139 Financial Instruments: Recognition and Measurement	<p>AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:</p> <ol style="list-style-type: none"> <li>Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.</li> <li>Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</li> <li>Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.</li> <li>Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</li> <li>Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: <ul style="list-style-type: none"> <li>the change attributable to changes in credit risk are presented in Other Comprehensive Income ('OCI')</li> <li>the remaining change is presented in profit or loss</li> </ul> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:</p> <ul style="list-style-type: none"> <li>classification and measurement of financial liabilities; and</li> <li>derecognition requirements for financial assets and liabilities.</li> </ul> </li> </ol>	1 January 2018	The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

## Notes to the Financial Statements *(continued...)*

The company has determined that there will be no material impact on the financial statements from the following Accounting Standards and Interpretations that are not yet effective and have not been adopted by the Company for the annual reporting period ended 30 June 2014:

New/ revised pronouncement	Application date of standard
AASB 1031 Materiality	1 January 2014
AASB 2013-7 Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders	1 January 2014
AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality)	1 January 2014
AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part C: Financial Instruments)	1 January 2015
AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)	1 July 2014
AASB 2014-1 Amendments to Australian Accounting Standards (Part B: Defined Benefit Plans: Employee Contributions (Amendments to AASB 119))	1 July 2014
AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality)	1 July 2014
AASB 2014-1 Amendments to Australian Accounting Standards (Part D: Consequential Amendments arising from AASB 14)	1 January 2016
AASB 2014-1 Amendments to Australian Accounting Standards (Part E: Financial Instruments)	1 January 2015
AASB 2014-2 Amendments to AASB 1053 - Transition to and between Tiers, and related Tier 2 Disclosure Requirements	1 July 2014
AASB Interpretation 21 Levies	1 January 2014
IFRS 15 Revenue from Contracts with Customers	1 January 2017
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016
<i>AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities</i>	31 December 2014
AASB 2013-3 Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities	1 January 2014



### Accounting Policies

#### a) Principles of consolidation

##### i. Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Solagran Limited as at 30 June 2014 and the results of all subsidiaries for the year ended.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when they are exposed to, or have rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

#### b) Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.





Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right of offset and intends either to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

### *i. Tax consolidation legislation*

Solagran Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Solagran Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Solagran Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidation group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the consolidated group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

### **c) Business Combinations**

Business combinations occur where an acquirer obtains control over one or more businesses. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the profit or loss.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

### **d) Impairment of assets**

At each reporting date the consolidated entity assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, the recoverable amount is determined and an impairment loss is recognised in profit or loss.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate



that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### **e) Property, Plant and equipment**

Property, Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Plant and equipment: 5 years

Motor Vehicles: 5 years

Land: Not depreciated

Buildings: 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

### **f) Intangible assets**

#### **i. Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the consolidated entity's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the consolidated entity's investment in each country of operation by each primary reporting segment. Impairment losses on goodwill are not reversed.

#### **ii. Patents and trademarks**

Patents and trademarks have an indefinite useful life and are carried at cost less any impairment losses. The carrying value of patents and trademarks is assessed using methods such as discounted future cash flow of the estimated revenue expected to be generated from the assets. Patents and trademarks are tested for impairment annually and whenever there is an indication that the intangible asset may be impaired.



### **g) Cash and cash equivalents**

For cash flow statement presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

### **h) Employee benefits**

#### *i. Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

#### *ii. Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, and closely as possible, the estimated future cash outflows.

#### *iii. Share-based payments*

Under AASB 2 Share Based Payments, the consolidated entity must recognise the fair value of shares granted to directors, employees and consultants as remuneration as an expense on a pro-rata basis over the vesting period in profit or loss with a corresponding adjustment to equity.

The consolidated entity provides benefits to employees (including directors) of the consolidated entity in the form of share based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The cost of these equity-settled transactions with employees (including directors) is measured by reference to fair value at the date they are granted. The fair value is determined by reference to the most recent arm's length convertible notes transaction.

### **i) Trade and other payables**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### **j) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present



value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in profit and loss in other expenses.

### **k) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue is recognised for the major business activities as follows:

#### *i. Sale of goods*

Revenue from the sales is recognised when significant risk and rewards of ownership have passed to the buyer and can be reliably measured. Risks and rewards are considered passed to the buyer when goods have been delivered to the customer.

#### *ii. Interest income*

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

#### *iii. Licensing fees*

Licensing fees are recognised on an accrual basis in accordance with the substance of the agreement. Shares received in other corporations as part of a licensing agreement are recognised as revenue at the fair value of shares received.

### **l) Earnings per share**

#### *i. Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the consolidated entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### *ii. Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### **m) Inventories**

#### *i. Raw materials and stores, work in progress and finished goods*

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.



### **n) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

### **o) Contributed equity**

Ordinary shares are classified as equity. Contributing shares are partly paid with calls of capital being made at the discretion of the company. Where calls are not paid, these shares will be forfeited by the holder. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business is included as part of the purchase consideration.

### **p) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

### **q) Investments and other financial assets**

The consolidated entity recognises financial assets when it becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Loans and receivables
- Financial assets at Fair Value Through Profit or Loss ('FVTPL')
- Held-To-Maturity ('HTM') investments; or
- Available-For-Sale ('AFS') financial assets

#### ***i. Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet. Subsequent to initial recognition loans and receivables are carried at amortised cost using the effective interest method.

#### ***ii. Available-for-sale financial assets***

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-



current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. The equity securities are measured at fair value through profit and loss.

### **iii. Impairment**

The consolidated entity assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity and recognised in profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

If there is evidence of impairment for any of the consolidated entity's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

### **r) Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the consolidated entity is the current bid price. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The consolidated entity uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments.

### **s) Borrowings**

All loans and borrowings are initially recognised at fair value, net of transactions costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the loans and borrowings using the effective interest method. Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### **t) Borrowing costs**

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.



### **u) Foreign currency**

#### ***i. Functional and presentation currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in AUD, which is Solagran Limited's functional and presentation currency.

#### ***ii. Transactions and balances***

Transactions in foreign currency are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

#### ***iii. Financial statements of foreign operations***

The functional currency of the Russian subsidiaries is the Russian Rouble. The assets and liabilities of foreign operations are translated to Australian Dollars at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to Australian Dollars at rates approximating to the foreign rates of exchange ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in the foreign currency translation reserve.

**Note 2. Revenue and other income**

	2014	2013
	\$	\$
<b>Revenue</b>		
Sale of goods	2,085,725	1,610,255
<b>Total Revenue</b>	<b>2,085,725</b>	<b>1,610,255</b>
<b>Other Income</b>		
Interest	149,625	119,125
Research and development tax rebate	303,393	273,532
Other income	8,950	337,993
<b>Total Other Income</b>	<b>461,968</b>	<b>730,650</b>

**Note 3. Expenses**

	2014	2013
	\$	\$
<b>Impairment expenses</b>		
Impairment of receivables	1,041,405	769,979
Impairment of inventories to net realisable value	160,413	218,079
	<b>1,201,818</b>	<b>988,058</b>
<b>Corporate administration expenses</b>		
Audit and accounting fees	138,340	126,189
Legal fees	1,511	167,896
Business development	29,727	36,597
Occupancy expenses	522,501	822,080
Maintenance	5,062	4,993
Commercialisation expenses	42,137	3,125
Consulting expenses	10,300	10,651
Marketing and promotion expenses	43,027	73,512
Travel and entertainment expenses	63,808	63,731
	<b>856,413</b>	<b>1,308,774</b>



**Note 4. Income Tax**

	2014 \$	2013 \$
<b>(a) The components of tax benefit comprise:</b>		
Current tax	-	-
Deferred tax	-	-
	-	-
<b>(b) The prima facie tax on profit/(loss) from ordinary activities before tax at 30% (2013: 30%) is as follows:</b>	<b>(982,513)</b>	<b>(1,210,887)</b>
<u>Add tax effect of:</u>		
Non-deductible expenses	312,422	229,220
<u>Less tax effect of:</u>		
Research and development tax concession	200,951	317,872
Non-assessable grant income	(96,331)	(83,491)
Timing differences and tax losses not brought to account	565,471	747,286
<b>Income tax (benefit) attributable to the Consolidated Entity</b>	<b>-</b>	<b>-</b>
<b>(c) Temporary timing differences and tax losses (tax effected) not brought to account</b>	<b>8,153,526</b>	<b>7,588,055</b>
<b>Net Deferred Tax Asset / (Liability) not recognised</b>	<b>8,153,526</b>	<b>7,588,055</b>

**Tax Losses**

Solagran Limited has unconfirmed, un-recouped tax losses in Australia which have not been brought to account. The ability to be able to recognise a deferred tax asset in respect of these tax losses will be dependent upon the probability that future taxable profit will be available against which the unused tax losses can be utilised and the conditions for deductibility imposed by Australian tax authorities will be complied with.



**Note 5. Earnings/(Loss) per Share**

	2014	2013
Basic losses per share (cents)	(1.14)	(1.42)
Diluted losses per share (cents)	(1.14)	(1.42)
a) Net losses used in the calculation of basic and diluted losses per share	(3,930,046)	(4,892,800)
b) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic losses per share	343,510,161	343,510,161
c) Adjustments for calculation of diluted losses per share: - Options over ordinary shares	Nil	Nil
d) Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted losses per share	Nil	Nil

There have been no other conversions to, call of, or subscriptions for ordinary shares, or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

**Note 6. Cash and Cash Equivalents**

	2014 \$	2013 \$
Cash at bank and on hand	10,404	33,023
Deposits at call	-	15,590
	<b>10,404</b>	<b>48,613</b>

The interest rate on cash at bank at 30 June 14 was 2.50% p.a. (2013: 2.75% p.a.)

**Note 7. Trade and Other Receivables**

	2014 \$	2013 \$
<u>Current</u>		
Trade receivables	1,205,066	893,582
Other receivables	2,415,188	2,005,328
Less: allowance for doubtful debts	(3,224,126)	(2,622,767)
<b>Total Trade and Other Receivables</b>	<b>396,128</b>	<b>276,143</b>



Reconciliation of allowance for doubtful debts	Total \$
<b>Balance as at 1 July 2012</b>	<b>(1,925,032)</b>
Amounts provided for	(769,979)
Amounts used	-
Translation of provisions in foreign currency	72,244
<b>Balance as at 30 June 2013</b>	<b>(2,622,767)</b>
Amounts provided for	(1,041,405)
Amounts used	462,738
Translation of provisions in foreign currency	(22,692)
<b>Balance as at 30 June 2014</b>	<b>(3,224,126)</b>

Age analysis of trade receivables that are past due but not impaired at the end of the reporting period.

Consolidated	Total	2014 Amount Impaired	Amount not impaired	Total	2013 Amount Impaired	Amount not impaired
	\$	\$	\$	\$	\$	\$
Not past due	396,128	-	396,128	276,143	-	276,143
Past due	3,224,126	(3,224,126)	-	2,622,767	(2,622,767)	-
<b>Total</b>	<b>3,620,254</b>	<b>(3,224,126)</b>	<b>396,128</b>	<b>2,898,910</b>	<b>(2,622,767)</b>	<b>276,143</b>

None of the trade receivables have a formal credit rating as determined by a ratings agency.

The impairment allowance relates to amounts advanced to our distributor in Russia in the current and prior periods. Although management have every confidence that the amount will be recovered, it was decided to take a conservative approach and provide for the entire balance owing at 30 June 2014.

For risk analysis of these receivables, refer to note 22.

## Note 8. Inventories

	2014 \$	2013 \$
Raw materials	616,062	823,891
Work in progress	14,846	24,461
Finished goods – at cost	6,103,391	6,439,289
<b>Total Inventories</b>	<b>6,734,299</b>	<b>7,287,641</b>

Write-down of inventories to net realisable value during the year amounted to \$160,413 (2013: \$218,079).



**Note 9. Other Financial Assets**

	2014	2013
	\$	\$
<i>Non-Current</i>		
- <i>Listed securities</i>		
Equity securities held – Medibio Limited	29,517	9,839
<b>Total Available For Sale Financial Assets</b>	<b>29,517</b>	<b>9,839</b>

	2014	2013
	\$	\$
<b>Reconciliation of Medibio Limited held</b>		
<b>Opening Balance</b>	<b>9,839</b>	<b>16,402</b>
Disposal of 45,000,000 shares following settlement with Medibio Limited	-	-
Gain/(loss) on investment taken to Income Statement	19,678	(6,563)
<b>Closing Balance</b>	<b>29,517</b>	<b>9,839</b>

**Note 10. Financial Assets and Liabilities**

30 June 2014	Notes	Assets at FVTPL	Financial assets at amortised cost	Available for sale	Total
		\$	\$		\$
<b>Financial assets</b>					
Current trade and other receivables	7	-	396,128	-	<b>396,128</b>
Cash and cash equivalents	6	-	10,404	-	<b>10,404</b>
Listed securities		-	-	29,517	<b>29,517</b>
		-	<b>406,533</b>	<b>29,517</b>	<b>436,050</b>

30 June 2014	Notes	Other liabilities at FVTPL	Other liabilities at amortised cost	Total
		\$	\$	\$
<b>Financial liabilities</b>				
Current borrowings	13	-	16,697,591	<b>16,697,591</b>
Interest bearing liabilities	14	-	318,946	<b>318,946</b>
Current trade and other payables	12	-	5,067,486	<b>5,067,486</b>
		-	<b>22,084,023</b>	<b>22,084,023</b>



## Notes to the Financial Statements (continued...)

30 June 2013	Notes	Assets at FVTPL \$	Financial assets at amortised cost \$	Available for sale \$	Total \$
<b>Financial assets</b>					
Current trade and other receivables	7	-	276,143	-	<b>276,143</b>
Cash and cash equivalents	6	-	48,613	-	<b>48,613</b>
Listed securities	9	-	-	9,839	<b>9,839</b>
		-	<b>324,756</b>	<b>9,839</b>	<b>334,595</b>

30 June 2013	Notes	Other liabilities at FVTPL \$	Other liabilities at amortised cost \$	Total \$
<b>Financial liabilities</b>				
Current trade and other payables		-	3,450,428	<b>3,450,428</b>
Interest bearing liabilities		-	14,746,969	<b>14,746,969</b>
Current borrowings		-	239,152	<b>239,152</b>
		-	<b>18,436,549</b>	<b>18,436,549</b>

### Note 11. Property, Plant and Equipment

	2014 \$	2013 \$
Land and Building at cost	147,500	147,500
Leasehold Improvements at cost	-	25,961
Less Accumulated Amortisation	(9,692)	(33,205)
<b>Net book value</b>	<b>137,808</b>	<b>140,256</b>
Motor Vehicle at cost	350,414	402,937
Less Accumulated Depreciation	(315,113)	(324,195)
<b>Net book value</b>	<b>35,301</b>	<b>78,742</b>
Plant and Equipment at cost	8,496,933	8,599,469
Less Accumulated Depreciation	(2,455,585)	(2,069,686)
<b>Net book value</b>	<b>6,041,348</b>	<b>6,529,783</b>
<b>Total Property, Plant and Equipment</b>	<b>6,214,457</b>	<b>6,748,781</b>



## Notes to the Financial Statements (continued...)

Reconciliation	Land, Buildings and Leasehold Improvements \$	Motor Vehicles \$	Plant and Equipment \$	Total \$
<b>Balance as at 1 July 2012</b>	<b>153,720</b>	<b>150,452</b>	<b>5,826,039</b>	<b>6,130,211</b>
Additions	-	13,516	1,115,137	1,128,653
Disposal	-	-	(158,044)	(158,044)
Depreciation expense	(13,464)	(85,226)	(253,349)	(352,039)
<b>Balance as at 30 June 2013</b>	<b>140,256</b>	<b>78,742</b>	<b>6,529,783</b>	<b>6,748,781</b>
Additions	-	-	-	-
Disposal	-	(36,381)	(97,299)	(133,680)
Depreciation expense	(2,448)	(7,060)	(391,135)	(400,643)
<b>Balance as at 30 June 2014</b>	<b>137,808</b>	<b>35,301</b>	<b>6,041,348</b>	<b>6,214,457</b>

All depreciation and impairment charges are included within depreciation, amortisation and impairment of non-financial assets.

### Note 12. Intangibles

	2014 \$	2013 \$
<i>Goodwill</i>		
At cost	3,062,694	3,062,694
Accumulated amortisation (and impairment)	(3,062,694)	(3,062,694)
	-	-
<i>Patents and trademarks</i>		
At cost	7,777,470	7,777,470
Accumulated amortisation and impairment	(7,777,470)	(7,777,470)
<b>Total intangible assets</b>	<b>-</b>	<b>-</b>

### Note 13. Trade and Other Payables

	2014 \$	2013 \$
Trade payables	1,112,035	1,777,440
Other payables	3,895,563	1,375,313
Deferred revenue	59,888	238,000
<b>Total Trade and Other Payables</b>	<b>5,067,486</b>	<b>3,390,753</b>



**Note 14. Interest-Bearing Liabilities**

	2014 \$	2013 \$
<b>Secured</b>		
Bank Loan Facility – Russia	1,065,933	1,386,811
<b>Unsecured</b>		
Loan advance - Convertible Notes	15,631,658	13,360,158
<b>Total Interest-Bearing Liabilities</b>	<b>16,697,591</b>	<b>14,746,969</b>

**Bank Overdraft Facility**

A line of credit facility was renegotiated in 2013 with the Promregionbank LLC in Tomsk Siberia to Dana LLC. The credit facility attracts a variable interest rate of 16% per annum. The loan is secured by the assets, in particular the property, plant and equipment that reside within Dana LLC and a personal guarantee by Vladimir Chernenko.

**Convertible Notes**

The consolidated entity has issued multiple “Loan and Converting Note” agreements since it suspended from trading on the Australia Securities Exchange (ASX). These arrangements to fund the consolidated entity were cash loans. The cash value is to convert to equity, subject to receipt of shareholder approval, with interest to be either payable or added to a portion of the loan principal upon conversion.

Proceeds received were used to fund working capital, capital upgrades, and investment in Intellectual Property (patent lodging, maintenance and research). The total amount of all such “Loan and Converting Note” agreements is \$14,186,500 at 30 June 2014. After year end, all holders of such “Loan and Converting Note” agreements have executed documentation providing the necessary notice to convert the loan to equity at 3c per share for the issue of 472,883,333 fully paid ordinary shares after the necessary shareholder approval is obtained.

The consolidated entity aims to hold a general meeting of its shareholders to obtain approval for the Loan and Converting Note conversions, amongst other matters, as soon as practicable after the filing of the consolidated entity’s accounts.

**Note 15. Other Borrowings**

	2014 \$	2013 \$
<b>Current</b>		
Unsecured Loan – Eastok Pty Ltd	195,587	16,919
Unsecured Loan – Solamind Pty Ltd	123,359	222,233
<b>Total Other Borrowings</b>	<b>318,946</b>	<b>239,152</b>

**Loan from director related entities**

The unsecured loan is owing to Vagif Soultanov and his related entities including Solamind Pty Ltd and Eastok. The loan is interest free and repayable upon demand.

During the year, Vagif Soultanov and his related entities provided additional financing, of which \$3 million has been converted to “Convertible Notes”.



**Note 16. Deferred Tax Assets/Liabilities**

	2014	2013
	\$	\$
Deferred Tax Assets/(Liabilities)	-	-
<b>Total Deferred Tax Assets/(Liabilities)</b>	<b>-</b>	<b>-</b>

A deferred tax asset (DTA) that has arisen from unused tax losses must be recognised to the extent that it is probable that taxable profit will be available against which the tax losses can be utilised. Due to the continued performance of the consolidated entity, Management have determined that it is not probable that the DTA from tax losses will be utilised in the near future and thus no DTA has been raised at 30 June 2014.

**Note 17. Provisions**

	2014	2013
	\$	\$
Current employee provisions	143,384	129,907
Non-Current employee provisions	110,322	85,540
<b>Total Provisions</b>	<b>253,706</b>	<b>215,447</b>

**Note 18. Contributed Equity**

Ordinary Shares	2014		2013	
	No.	\$	No.	\$
Balance at the beginning of the year	343,510,161	79,393,130	343,510,161	79,393,130
<b>Balance at the end of the year</b>	<b>343,510,161</b>	<b>79,393,130</b>	<b>343,510,161</b>	<b>79,393,130</b>

**Ordinary shares**

Ordinary shares participate in dividends and the proceeds on winding up of the consolidated entity in proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. The ordinary shares have no par value.

**Options Outstanding**

At 30 June 2014 there were nil ordinary share options outstanding (2013: nil).

**Capital Risk Management**

In managing its capital, the consolidated entity's primary objective is to ensure its contributed ability to provide a consistent return for its owners through a combination of capital growth and distribution. In order to achieve this objective, the consolidated entity seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the consolidated entity to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or the reduction of debt, the consolidated entity considered not only its short-term position but also its long-term operational and strategic objectives.





**Note 19. Reserves**
**a) Summary**

	2014	2013
	\$	\$
Share Based Payments Reserve	3,225,494	3,099,219
Foreign Currency Translation Reserve	512,439	1,351,832
Acquisition of NCI Reserve	(877,460)	(877,460)
<b>Total Reserves</b>	<b>2,860,473</b>	<b>3,573,591</b>

**b) Reconciliations**

Reconciliations of movements in reserves are disclosed in the statement of changes in equity.

**c) Nature and Purpose of the Reserve**
*Share based payments reserve*

Included in the share-based payment reserve are the expense of expired share options and shares to be issued upon approval at the next Annual General Meeting.

*Foreign currency translation reserve*

The foreign currency translation reserve is used to record exchange differences on translation of foreign controlled subsidiaries. Amounts are reclassified to profit or loss when the investment is disposed of.

**Note 20. Cash Flow Information**
**(a) Reconciliation of cash flow from operations with loss after income tax**

	2014	2013
	\$	\$
<b>Net loss for the year</b>	<b>(3,930,046)</b>	<b>(4,892,800)</b>
Add back depreciation and amortisation expense	400,643	352,039
Add back loss on sale of assets	133,681	158,044
Add back accrued interest on convertible notes	465,000	465,000
<u>Change in assets and liabilities</u>		
- Increases in receivables	(119,985)	(66,409)
- Decreases in inventories	553,341	151,908
Increases/(decreases) in trade and other		
- payables	1,676,733	1,836,757
- Increases/(decreases) in provisions	38,259	(41,461)
- Impact of foreign exchange differences upon		
payment of operating expenses	(842,084)	(631,707)
<b>Net cash flows used in operating activities</b>	<b>(1,624,458)</b>	<b>(2,668,629)</b>

**Note 21. Operating Segments**
**Description of segments**


## Notes to the Financial Statements (continued...)

Operating segments have been determined on the basis of reports reviewed by the Board of Directors. The Board of Directors is considered to be the chief operating decision maker of the consolidated entity. The Board considers the business from both a product and geographic perspective and assesses performance and allocates resources on this basis.

The reportable segments are as follows:

### 1. Bioeffective Production and Sales Australia

Bioeffective Production and Sales in Australia represents the sale of all finished goods produced by our contract manufacturers using bioeffective materials derived from Russia. Currently Bioeffective A is sold in encapsulated form, and Bioeffective I is sold in drink concentrate form under the trade name of Siberian Red.

### 2. Bioeffective Production and Sales Russia

The Russian division produces Bioeffective R forming the basis of the pharmaceutical product available for sale in Russia, Reopren. The Russian division also sells a variety of water and oil-based fractions under the SibEX trademark.

### Information provided to the Board of Directors

Segment information provided to the Board of Directors for the year ended 30 June 2014 is as follows:

30 June 2014	Australia \$	Russia \$	Adjustments	Total \$
<b><u>Segment Revenue</u></b>				
Segment revenue from external customers	506,611	1,579,114	-	2,085,725
<b>EBITDA</b>	<b>(875,128)</b>	<b>(948,573)</b>	-	<b>(1,823,701)</b>
Interest revenue	3,367	146,258	-	149,625
Depreciation and amortisation	(5,958)	(394,685)	-	(400,643)
<b><u>Segment Assets and Liabilities</u></b>				
Segment assets	23,785,716	13,104,472	(23,312,565)	13,577,623
Segment liabilities	17,481,308	28,168,987	(23,312,565)	22,337,729

Segment information provided to the Board of Directors for the year ended 30 June 2013 is as follows:

30 June 2013	Australia	Russia	Adjustments	Total
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## Notes to the Financial Statements (continued...)

	\$	\$	\$	\$
<b><u>Segment Revenue</u></b>				
Segment revenue from external customers	396,763	1,213,492	-	1,610,255
EBITDA	(764,178)	(2,300,693)		(3,064,871)
Interest revenue	6,513	112,612	-	119,125
Depreciation and amortisation	(16,599)	(336,140)	-	(352,739)
<b><u>Segment Assets and Liabilities</u></b>				
Segment assets	23,747,302	13,777,938	(23,049,861)	14,475,379
Segment liabilities	15,030,933	26,611,252	(23,049,861)	18,592,321

The Board of Directors monitors segment performance based on EBITDA. This measure excludes non-recurring expenditure such as restructuring costs, impairments and share-based payments as well as interest revenue and interest expense and other items which are considered part of the corporate treasury function.

	2014 \$	2013 \$
<b>Reconciliation of EBITDA to loss before income tax:</b>		
- Total segment EBITDA	(1,823,701)	(3,064,871)
- Interest revenue	149,625	119,125
- Finance costs	(653,508)	(666,292)
- Depreciation and amortisation	(400,643)	(352,739)
- Impairment of receivables	(1,041,405)	(769,979)
- Net gain/loss on disposal of fixed assets	-	(158,044)
- Inventory write-down to net realisable value	(160,414)	-
<b>Loss before income tax</b>	<b>(3,930,046)</b>	<b>(4,892,800)</b>

### Note 22. Financial Risk Management

The consolidated entity's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

#### a) Market Risk

##### i. Foreign exchange risk



The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Russian Rouble.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Based on the financial instruments held at reporting date, the consolidated entity has no material exposure to foreign exchange risk.

Risk arising from the consolidated entity's net investments in foreign operations is not included in this note as it does not pertain to financial instruments.

### ii. Cash flow interest rate risk

The consolidated entity's only interest rate risk arises from cash and cash equivalents held and the bank loan facility in Russia. The consolidated entity's exposure to interest rate risk at the reporting date is as follows:

	2014 \$	2013 \$
<i>Instruments with cash flow risk:</i>		
Cash and cash equivalents	10,404	48,613
Variable borrowings	-	-
Net exposure to interest rate risk	10,404	48,613

Sensitivity of profit or loss to movements in market interest rate for instruments with cash flow risk:

	(Higher) / Lower 2014	(Higher) / Lower 2013
2014: +100 basis points (2013: +100 basis points)	104	486
2014: - 100 basis points (2013: -100 basis points)	(104)	(486)

The convertible note facility disclosed in note 14 is at a fixed interest rate and therefore does not expose the consolidated entity to interest rate risk.

### b) Credit Risk Exposure

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from receivables from customers and cash and cash equivalents. For the consolidated entity it arises from trade and other receivables and cash and cash equivalents. The parent has credit risk in the intercompany receivables. The credit risk on financial assets of the consolidated entity, which have been recognised in the statement of financial position, other than investments in shares, is generally the carrying amount, net of any allowance for doubtful debts.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about default rates.

The consolidated entity's exposure to credit risk at the reporting date is as follows:



	2014	2013
	\$	\$
Cash and cash equivalents	10,404	48,613
Trade and other receivables	396,128	276,143
<b>Total</b>	<b>406,532</b>	<b>324,756</b>

**c) Liquidity Risk**

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash balances and access to equity funding.

*Maturity of financial liabilities*

The table below analyses the consolidated entity's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contracted undiscounted cash flows.

30 June 2014	Less than 6 months	6-12 months	Total contractual cash flows	Carrying Amount
	\$	\$	\$	\$
Trade and other payables	5,067,486	-	5,067,486	5,067,486
Interest bearing borrowings	-	16,697,591	16,697,591	16,697,591
Other borrowings	318,946	-	318,946	318,946
<b>Total</b>	<b>5,386,432</b>	<b>16,697,591</b>	<b>22,084,023</b>	<b>22,084,023</b>

30 June 2013	Less than 6 months	6-12 months	Total contractual cash flows	Carrying Amount
	\$	\$	\$	\$
Trade and other payables	3,390,753	-	3,390,753	3,390,753
Interest bearing liabilities	-	14,746,969	14,746,969	14,746,969
Other borrowings	239,152	-	239,152	239,152
<b>Total</b>	<b>3,629,905</b>	<b>14,746,969</b>	<b>18,376,874</b>	<b>18,376,874</b>

**d) Fair Value Estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the consolidated entity is the current bid price. The consolidated entity uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual



cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments.

### Note 23. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(a).

Name of entity	Country of incorporation	Percentage owned (%)	
		2014	2013
<b>Parent Entity</b>			
Solagran Limited	Australia	-	-
<b>Subsidiaries of Solagran Limited</b>			
Solathera Limited	Australia	100	100
Solagran Netherlands BV	Netherlands	100	100
SibEX LLC	Russia	100	100
Solagift LLC	Russia	100	100
Solagran Son LLC	Russia	100	100
Biotech LLC	Russia	81	81
Darius LLC*	Russia	25	25
Dana LLC*	Russia	-	-
BIK LLC*	Russia	-	-

\*Dana LLC, Darius LLC and BIK LLC are controlled by virtue of the shareholder agreements with Mr Vladimir Chernenko, Mr Oleg Moskalenko and Mr Alexander Kurganov respectively with Solagran Limited.

Darius LLC, a shell company, was acquired during the period.

### Note 24. Parent Entity Financial Information

#### A. Summary financial information

The following information has been extracted from the books and records of the parent entity and has been prepared in accordance with the accounting standards.



	Parent Entity	
	2014	2013
Statement of Financial Position	\$	\$
<b>ASSETS</b>		
Current Assets	6,218	18,142
Non-Current Assets	29,517	9,839
<b>TOTAL ASSETS</b>	<b>35,735</b>	<b>27,981</b>
<b>LIABILITIES</b>		
Current Liabilities	16,274,346	13,896,132
<b>TOTAL LIABILITIES</b>	<b>16,274,346</b>	<b>13,896,132</b>
<b>NET ASSETS</b>	<b>(16,238,611)</b>	<b>(13,868,151)</b>

	Parent Entity	
	2014	2013
Statement of Financial Position	\$	\$
<b>EQUITY</b>		
Contributed equity	79,393,130	79,393,130
Reserves	3,034,947	3,099,219
Accumulated losses	(98,666,688)	(96,360,500)
<b>TOTAL EQUITY</b>	<b>(16,238,611)</b>	<b>(13,868,151)</b>

	Parent Entity	
	2014	2013
Statement of Comprehensive Income	\$	\$
Net profit/(loss) for the year	(2,306,188)	(2,307,105)
<b>Total comprehensive income/(loss) for the year</b>	<b>(2,306,188)</b>	<b>(2,307,105)</b>

#### B. Guarantees entered into by the parent entity

The parent entity has not provided any financial guarantees.

#### C. Contingent liabilities of the parent entity

There are no contingent assets or liabilities at the date of this report. The parent entity is not involved in any legal or arbitration proceedings and, so far as the Directors are aware, no such proceedings are pending or threatened against the Company.

### Note 25. Share-based Payments

#### Issue of Shares to Employees

##### i) Shares

2,200,000 bonus shares to be issued to employees at a price consistent with the price set out in the convertible note agreements. Total expense recognised was \$66,000.



The Chief Executive Officer is also to be awarded \$60,274 in shares, subject to approval at the next annual general meeting.

ii) Deferred Consideration

A portion of deferred salaries are to be settled in shares. The value of shares to be settled is consistent with the portion of salary agreed to be remunerated in shares. The amount to be settled is \$243,780 (2013: Nil) has been included in other payables.

## Note 26. Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favorable than those available to other parties unless otherwise stated. Transactions with related parties are as follows:

Sale of goods and services	2014	2013
	\$	\$
Sale of Bioeffective products to Eastok Pty Ltd	75,593	49,532

Sale of goods to Eastok Pty Ltd were made on similar terms to other customers of the Company. Eastok Pty Ltd is an entity controlled by Solagran's Executive Chairman, Dr Vagif Soultanov.

Payment for services	2014	2013
	\$	\$
Payment for rental of storage space, office facilities and for staffing services provided by Eastok Pty Ltd	122,609	55,409
Expenses incurred relative to Research and Development (including consulting fees for Dr Vagif Soultanov)	91,085	34,857

Loans from related parties	2014	2013
	\$	\$
Convertible notes – Dr Vagif Soultanov	6,000,000	5,000,000
Other loans from director related entities – Dr Vagif Soultanov	123,359	222,233
Eastok Pty Ltd – Vagif Soultanov	195,587	16,919

Solamind Pty Ltd and Eastok Pty Ltd are entities associated with Dr. Vagif Soultanov. The loan is fully drawn-down and is provided to Solagran on an unsecured, interest-free basis. The loan is at call, however Dr. Vagif Soultanov has provided a letter to the Company confirming that it will not be called upon for repayment until Solagran Limited has the ability to repay without significantly impacting on their solvency.

## Note 27. Key Management Personnel Compensation

The aggregate compensation made to Directors and other Key Management Personnel of the Company is set out below:

	2014	2013
	\$	\$





Short-term employee benefits	148,525	115,045
Post-employment benefits	23,548	12,425
Share based payments	66,424	-
<b>Total</b>	<b>238,497</b>	<b>127,470</b>

For more information on Key Management Personnel Compensation, please refer to Remuneration Report contained under Directors' Report.

### Note 28. Events after the Balance Date

There have not been any matters or circumstances, other than that referred to in the financial statements or notes thereto, that have arisen since the end of the financial year, which significantly affected, or may significantly affect, the operations of Solagran Limited, the results of those operations or the state of affairs of Solagran Limited in future financial years, with the exception of the following, the financial effects of which have not been provided for in the 30 June 2014 Financial Report:

#### Private Placement of Capital

On 15 December 2015, the consolidated entity announced that it had secured a capital investment from sophisticated investors. The funding was received in multiple tranches, of which \$1,250,000 was recognised in the 30 June 2015 Financial Report. Additionally there were several subsequent tranches and additional investments in the period July to November 2015 in the total amount of \$1,980,000. The placements were in the form of "Loan and Converting Note" arrangements with sophisticated investors, with 66,000,000 corresponding fully-paid ordinary shares at AUD \$0.03 per share to be approved at the next available General Meeting of the consolidated entity.

#### Capital Expenditure and Retirement of Debt

Since 30 June 2015 approximately \$610,000 has been spent on capital outlay in the consolidated entity's production facilities in Tomsk and Vyshny Volochok, Russia. Since 30 June 2015, approximately \$250,000 has been outlaid to retire consolidated entity debt, including bank loans, tax debt and trade creditors.

#### Convertible Notes

Since 30 June 2014, debt in the form of convertible notes has been issued. Refer to Going concern in note 1 for further detail of issuance of convertible notes.

#### Russian Restructure

A restructure of the Russian entities has been undertaken. Refer to Significant Changes in State of Affairs contained within the Directors Report for further information.

#### Write-down of Inventory

During the 30 June 2015 financial year, Polyprenols used in the manufacture of Ropren, has been identified as slow moving as commercial quantities of Ropren have not been sold since December 2012. Management have therefore prudently provided for such items for the amount of approximately \$3 million.

### Note 29. Auditor's Remuneration

Audit services	2014	2013
	\$	\$

Remuneration of the auditor of the Company, Grant Thornton Audit Pty Ltd for:



## Notes to the Financial Statements *(continued...)*

—	auditing or reviewing the financial report	42,500	42,500
Remuneration of other auditor of subsidiaries, FBK Grant Thornton for:			
—	auditing or reviewing the financial report	11,475	11,475
<b>Total Audit services</b>		<b>53,975</b>	<b>53,975</b>

Taxation services		2014	2013
		\$	\$
Amounts paid/payable to the related practice of Grant Thornton for non-audit taxation services performed for the entity in the Company:			
—	Preparation of income tax return	19,033	5,173
—	Preparation of other taxation services	24,075	44,120
<b>Total Taxation services</b>		<b>43,108</b>	<b>49,293</b>

### Note 30. Contingent Liabilities and Contingent Assets

There are no contingent assets or liabilities at the date of this report. The consolidated entity is not involved in any legal or arbitration proceedings and, so far as the Directors are aware, no such proceedings are pending or threatened against the consolidated entity.



# Directors' Declaration

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The Directors of the consolidated entity declare that:

In the opinion of the Directors:

1. the financial statements and notes, as set out on pages 16 to 57 are in accordance with the Corporations Act 2001 and:
  - a. comply with Accounting Standards and the Corporations Regulations 2001; and
  - b. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated entity;
  - c. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.
2. in the Directors' opinion there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2014.



Dr Vagif Soultanov  
**Executive Chairman**

Dated: This, the 14<sup>th</sup> Day of December 2015.



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## **Independent Auditor's Report To the Members of Solagran Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Solagran Limited (the “Company”), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors’ declaration of the consolidated entity comprising the Company and the entities it controlled at the year’s end or from time to time during the financial year.

### **Directors’ responsibility for the financial report**

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

### **Auditor’s responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to 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.

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

### **Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

### **Basis for qualified auditor's opinion**

**Inventory** – We were not appointed as auditors of the entity until October 2015 and thus did not observe the counting of physical inventories at the beginning and end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 30 June 2013 and 2014 which are stated in the statement of financial position at \$7,287,641 and \$6,734,299 respectively.

### **Qualified Auditor's opinion**

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to inventory quantities matter giving rise to the qualification:

- a the financial report of Solagran Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

**Emphasis of matter**

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a net loss of \$3,930,052 during the year ended 30 June 2014 and, as of that date, the consolidated entity's liabilities exceeded its assets by \$8,760,106. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

**Report on the remuneration report**

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

**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Solagran Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



M. A. Cunningham  
Partner - Audit & Assurance

Melbourne, 14 December 2015

# Shareholder Information at 30 June 2014

## Ordinary Shares

343,510,161 fully paid ordinary shares are held by 2,280 individual holders.  
All ordinary shares carry one vote per share.

Distribution of Ordinary Fully Paid Shareholders Holding Ranges	Ordinary Shares	
	No. of Holders	Total Units
1 - 1,000	216	100,733
1,001 - 5,000	576	1,799,940
5,001 - 10,000	350	2,862,136
10,001 - 100,000	840	31,369,375
100,001 +	298	307,377,977
<b>Totals</b>	<b>2,280</b>	<b>343,510,161</b>

## Twenty Largest Ordinary Fully Paid Shareholders

Holder Name	Number	%
1. Ace Aim Pty Ltd	48,916,916	14.2%
2. Solalife Pty Ltd	28,000,000	8.2%
3. AMMF Investments Pty Ltd	22,500,000	6.6%
4. J P Morgan Nominees Australia Limited	18,171,466	5.3%
5. HSBC Custody Nominees (Australia) Limited	15,173,913	4.4%
6. Petrograd Investments Pty Ltd	13,850,000	4.0%
7. Avondry Pty Ltd	6,661,221	1.9%
8. Mr Gavin Peter Herholdt	5,320,000	1.5%
9. Citicorp Nominees Pty Ltd	4,997,620	1.5%
10. Eastok Pty Ltd	4,921,034	1.4%
11. JP Morgan Nominees Australia Limited	4,664,633	1.4%
12. Brinvest Pty Ltd	4,568,000	1.3%
13. Bronte Investments Pty Ltd	4,154,800	1.2%
14. BT Portfolio Services Limited	3,733,000	1.1%
15. Mr Abu Sahid Mohamed	3,333,334	1.0%
16. Adnil (VIC) Pty Ltd	3,255,200	0.9%
17. Ost-Kim Pty Ltd	3,230,592	0.9%
18. Dr Vagif Soultanov	2,734,349	0.8%
19. Gasmere Pty Ltd	2,204,000	0.6%
20. James Street Equities Pty Ltd	2,200,000	0.6%
<b>Total Top 20 Shareholders</b>	<b>202,590,078</b>	<b>59.0%</b>
<b>Total Balance of Remaining Shareholders</b>	<b>140,920,083</b>	<b>41.0%</b>
<b>Total Issued Capital</b>	<b>343,510,161</b>	<b>100.00</b>

## Substantial Shareholders

The names of substantial shareholders the Company is aware of from the register, or who have notified the Company in accordance with Section 671B of the Corporations Act are:

Substantial Shareholders	Number of Shares	%
1. Ace Aim Pty Ltd	48,916,916	14.2%
2. Solalife Pty Ltd	28,000,000	8.2%
3. AMMF Investments Pty Ltd	22,500,000	6.6%
4. J P Morgan Nominees Australia Limited	18,171,466	5.3%
<b>Total Number of Shares Held by Substantial Shareholders</b>	<b>117,588,382</b>	<b>34.3%</b>



# Corporate Directory

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**Australian Company Number (ACN)**

002 592 396

Solagran Limited is a Public Company Limited by shares and is domiciled in Australia.

**DIRECTORS**

Dr Vagif Soultanov  
Mr Alexander Kurganov

Executive Chairman  
Executive Director

**COMPANY SECRETARY**

Mr Justyn Stedwell

**REGISTERED OFFICER**

98 - 106 Moray Street  
South Melbourne, Victoria  
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Ph: + 61 (0)3 9820 2699  
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**PRINCIPAL PLACE OF BUSINESS**

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Australia 3205  
Ph: + 61 (0)3 9820 2699  
Fx: + 61 (0)3 9820 3155  
Em: [info@solagran.com](mailto:info@solagran.com)

**SHARE REGISTRY**

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Yarra Falls, 452 Johnston Street  
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Ph: 1300 85 05 05 (within Australia)  
+61 3 9415 4000 (overseas)  
Fx: +61 3 9473 2500  
Em: [essential.registry@computershare.com.au](mailto:essential.registry@computershare.com.au)  
Website: [www.computershare.com.au](http://www.computershare.com.au)

**SOLICITORS**

Wisewould Mahony  
Level 8, 419 Collins Street  
Melbourne, Victoria  
Australia 3000

**AUDITORS**

Grant Thornton Audit Pty Ltd  
Rialto Tower, Level 30  
525 Collins Street  
Melbourne, Victoria  
Australia 3000

**BANKERS**

National Australia Bank  
Level 2, 330 Collins Street  
Melbourne, Victoria  
Australia 3000

**QUOTED SECURITIES**

Australian Securities Exchange  
- Ordinary Fully Paid Shares (ASX Code: SLA)

**WEBSITE**

[www.solagran.com](http://www.solagran.com)

