

MAKE EVERY
BREATH
COUNT

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LETTER FROM THE CHAIRMAN

Dear Shareholder

It gives me great pleasure to report on a positive close to what has been a challenging 12 months for Consegna. Pleasingly, the turnaround of the company has put us in a position where we will start the new financial year with a renewed focus and a solid strategy to develop products in the respiratory and breathing management space.

The final step in this new direction is the implementation of a new corporate brand, **Rhinomed Limited**. As you would recognise, Rhinology is the area of medicine that concerns itself with the nose. We believe Rhinomed is a brand that better articulates the opportunities and the markets we are pursuing.


In February, we instituted a change in the Board structure and Management team. This included the appointment of Michael Johnson as CEO. Working closely with the board, he has put in place a systematic approach to tackling the core issues that has resulted in an improvement in shareholder value and the rapid progression of our commercialisation program for our main asset, the BreatheAssist™ technology platform.

The Company's core focus is the development and commercialisation of the BreatheAssist platform. The first product, the Turbine™ is being launched into the global sports market later this calendar year. Since February, we have made significant advances towards this goal and this is now reflected in the new product design and disruptive branding and creative marketing campaign that will drive the launch of the Turbine™. These activities have been underpinned by a tight fiscal management plan and complemented by the execution of a manufacturing agreement with our manufacturing partner that will deliver long-term benefits to the Company.

We will continue to leverage the adoption and acceptance we achieve in the sport and exercise markets through the introduction of a range of new high value solutions in sleep and snoring, follow this with a suite of products targeting the general wellbeing market and continue the development of the drug delivery program. Our ability to adapt our core technology platform and tap into these high value consumer, medical and health markets will position the Company for long and sustained growth.

I would like to take this opportunity to thank the board and management team for their efforts in effecting the turnaround of the company. These endeavours are never undertaken lightly, however, the single-minded focus on delivering a return to shareholders has resulted in the development of a strategy that will deliver an exciting future for the company.

Thank you for your continued support and we look forward to a productive 2014 as Rhinomed Limited.



Martin Rogers
Chairman

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LETTER FROM THE CEO

The 2013 financial year is a story of two halves for the company. There is no question that the first half of the 2013 financial year was suboptimal for the Company with the resulting erosion in shareholder value testing the resolve of many of our long standing supporters.

The failure to secure the early stage global licensing deal for the BreatheAssist™ asset, the write down in the value of the Vibrovein™ technology, a significant overrun in expenses, the disposal of Aspen Medisys and a decrease in the value of the Company's 29% holding in Imugene Limited have all contributed to the \$19.6m loss for the 2013 financial year.

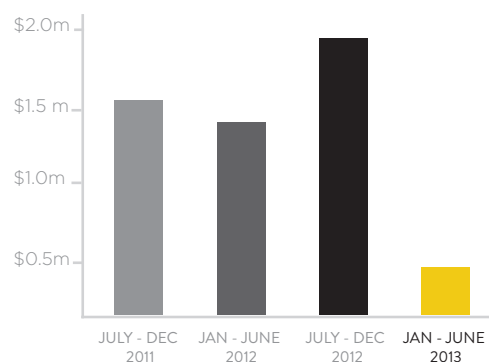
A change at both the management and board level in February 2013 allowed the company to reset its direction and following a period of restructuring the company is now set on a pathway to a sound future. We now have a business operation that reflects a more fiscally conservative company that is focused on realising the value of the BreatheAssist technology portfolio in the short to medium term.

This focus on building a unique position in the market as a leading developer and innovator of nasal and respiratory management technology is reflected in the recently announced change of the company's name to **Rhinomed Limited**.

Alongside this new strategy, management introduced a clear policy of only investing in activities that are aligned with the company's goals. We can report that this approach has delivered a significant reduction in expenditure in the second half of the financial year (decrease of 82%) when compared to the first six months and 75% when compared to the same period last year. We will continue to invest shareholders funds judiciously on activities and programs that are clearly designed to deliver a return to you, our shareholder.

“We can report that this approach has delivered a significant reduction in cash used in operating activities in the second half of the financial year (decrease of 82%) when compared to the first six months and 75% when compared to the same period last year.”

REDUCTION IN
NET CASH USED IN
OPERATING ACTIVITIES



The refocus of the company's resources have not come at the expense of progress. In fact, during this same period we have made remarkable progress towards finalising our first consumer product for launch later in calendar year 2013. This includes:

- › reviewing the Company's product portfolio,
- › undertaking consumer trials which provided input into branding, marketing and product development programs;
- › completing a branding exercise that resulted in the creation of the Turbine™ brand targeting the sport and exercise market;
- › undertaking a comprehensive review of the manufacturing arrangements and locking in a highly attractive manufacturing agreement that delivers long term benefits to the Company;
- › developing a launch program that will see the Turbine™ product being sold on line in the second half of 2013.

Our first consumer offering, the Turbine will be launched in the sport and exercise market. Our entry point is the online Australian sport and exercise market, however we expect to see longer-term growth from the global cycling, triathlete, running and aerobic sports markets.

Sports participation rates worldwide continue to rise. Driven in part by an increased focus on health and wellbeing in many western economies, sport increasingly plays a critical role in reducing the economic burden of illness and disease on an economy. We also note that the global trend towards '*wearable technology*' continues to grow with the successful introduction of a range of health and wellbeing technologies including Jawbone's UP and the FitBit. The company's BreatheAssist technology platform will become a strong competitor in the emerging wearable technology and mobile health markets.

The company's focus on aerobic activities such as cycling, running and triathlon will leverage the extraordinary growth both these traditional sports and a growing range of niche activities are experiencing. In 2012, over 1 million Americans participated in two or more triathlons, global participation in the new endurance event series, Tough Mudder, topped half a million people, making it the world's fastest growing adventure series. Locally, charity events like the Sydney City2Surf marathon has become the world's largest fun run with 85,000 registered participants this year - a greater number than the London and New York marathons combined.

Every single participant in these events has one goal in mind - to improve their performance and feel good as a result. We believe that the Turbine's compelling proposition, the delivery of 38% more airflow, will resonate strongly with this market. This hypothesis was confirmed by the participants in the Company's recently conducted user research trial.

over **1 million**
Americians
participated in
two or more
Triathlons in 2012

500,000
people worldwide
competed in
the new global
adventure series,
Tough Mudder

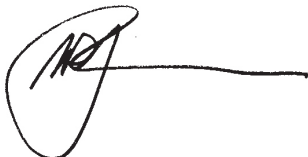
85,000
people
have registered
for Sydney's
City2Surf in
November 2013

The sport and exercise market is well recognized as an early adopter of new innovative technologies. Importantly, they are also a relevant and powerful reference set for the much larger markets the company is seeking to target in the wellbeing, sleep and drug delivery space.

In regards to the Vibrovein asset, following a review of the core assumptions driving the valuation of the intellectual property and market opportunity, the Company recognised impairment in the value of its intellectual property of \$10m. Despite this, we remain committed to the commercialisation of the Vibrovein technology. We will continue to identify opportunities to strengthen the IP through R&D activities with the view to package the asset for future divestment to an appropriate partner.

Your Board remains confident that the strategies put in place will deliver a positive outcome for all shareholders. Our mission, to demonstrate that the technology has the potential to deliver strong revenues lines, while also clearly showing the long-term strategic value to larger partners, remains in place. The Company is on track to book revenues this calendar year and will continue to bring to market compelling high value solutions in the sleep, wellbeing and drug delivery markets.

We thank all shareholders for their strong support and patience over this difficult period. The Company is now well positioned to take full advantage of some exciting opportunities in 2014.

A handwritten signature in black ink, appearing to be 'MJ', enclosed within a large, loopy oval shape. A long horizontal line extends to the right from the bottom of the oval.

Michael Johnson
CEO

BREATHASSIST™ PLATFORM TECHNOLOGY DEVELOPMENT

BreatheAssist is a unique, compelling and unrivaled technology. It is also a true technology platform, having multiple applications across a range of high value markets. We have identified a clear, logical and sequential strategy for creating significant value from this asset.

Our strategy is to unlock the near term revenue potential in the sport market and begin the process of 'socialising' the mass markets (consumers & patients) with the product. As this occurs, our ability to successfully enter and grow in other 'high value' markets will exponentially increase.

Our first offering is the Turbine™ which will be initially launched in the sport market, specifically using Australia as a test market. Australia provides us with the perfect environment in which to prototype our global launch and fine tune our approach to ensure long term success.

Critically, a test launch in Australia allows the company to carefully manage its current resources while demonstrating the commercial value of its technology and ensure the roll out into global markets occurs from a strong base.



TURBINE

MAKE EVERY BREATH COUNT



TURBINE™

The athlete's secret weapon – the **Turbine**.

Make every breath count. The Turbine works by enabling the athlete to breathe more efficiently and maximise their air intake. Initially targeting the elite trainer and athlete, it is made of soft, flexible polymer that is adjustable and rests comfortably just inside the nose.

The Turbine gets its name from one of the most important structures in the nose - the *turbinates*. Sitting in the upper part of your nose, the turbinates align the airflow direction, improve humidification, heating and filtering of air inhaled through the nose. A bit like a turbo charger and climate control system rolled into one.

Research increasingly shows that nasal breathing has advantages over mouth breathing. The turbinates also slow the air stream down allowing the proper mixing of the air with a gas produced in the nasal sinuses called nitric oxide (NO). It is a potent vasodilator (dilatation of the blood vessels), and in the lungs it enhances the uptake of oxygen.

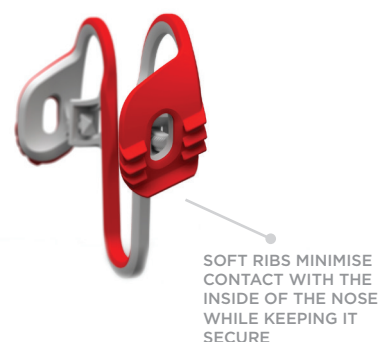
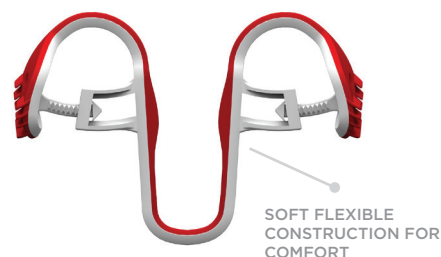
The holy grail of aerobic activity is enabling a greater mass of airflow into the lungs via the nose. The Turbine delivers exactly this.

The Turbine will become an athlete's secret weapon. A technology that trains the athlete to breathe better, more efficiently and which powers the body with more oxygen – our best natural fuel.

How the Turbine works

- › Opens the nasal airways for controlled, efficient breathing
- › Design based on elite athlete user testing
- › Soft flexible construction for comfort
- › Adjustable pads for a customised fit
- › Ergonomic design following the natural shape of the nose
- › Totally natural
- › Will be available in two sizes
- › Come in a pack of 3 for just \$24.95 (plus shipping)

To register for pre-ordering Turbine, go to www.theturbine.com

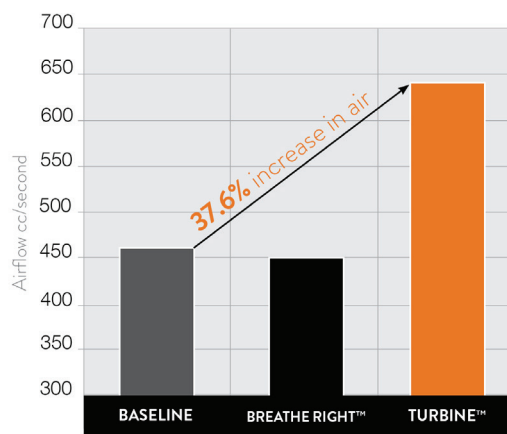


CLINICAL DATA

Clinical Trials to establish proof-of-concept were conducted at Melbourne's Royal Victorian Eye and Ear Hospital in 2005. These tests measured baseline air-flow against the Breathe Right™ Nasal Strip and BreatheAssist technology.

Our internal nasal dilator achieved 175 cc/second increase in airflow compared to the baseline and Breathe Right nasal strip. The BreatheRight nasal strip sits outside and across the bridge of the nose. This outcome represents a 37.6% increase in nasal airflow. Potentially the difference between 1st and 2nd, a personal best or good night's sleep.

We will continue to support further user trials as the Turbine is launched. User trials are an important element to continually reinforcing the value of the technology.



SLEEP PROGRAM

The opportunity in the sleep market is significant. The sleep spectrum is very broad and ranges from occasional snoring all the way through to fully diagnosed Sleep Apnea.

Our focus is on leveraging the work we have done in sport to enable us to launch a product into the snoring market in the 2014 calendar year. Our target is the US market and specifically men over 40. It is no surprise that this is also our key target market for the Sports business. Research shows that one in two men over 40 snore which can effect quality of sleep and may have a detrimental impact on their health over the long term. Additionally, further research has shown that their partner also suffers, losing upto 1-2 hours of sleep per night.

Our program to unlock this potential is well defined. We validate the need, design our final solution, confirm that solution answers the need and then build a compelling brand to deliver the product.

We have opened up conversations with partners who have expressed strong interest to distribute the product both here and in the US. As a result, we will continue to prioritise this program over the next 12 months.

Approximately half the men aged 40+ in the US snore and their partners also suffer losing upto 1 - 2 hours of sleep per night.

WELLBEING

Breathing through the nose is well documented as playing an important role in maintaining good health. Research has identified that nasal breathing can lower anxiety, result in better heart health and may improve concentration.

Our wellbeing range will specifically target problems that can be addressed with a nasal breathing solution. This includes a product design for the passive exercise market which includes Yoga, Pilates and meditation. All these activities involve a focus on the importance of breathing through the nose. Our dilation technology will assist participants to optimise their desired outcomes from these activities.

In addition, the company is continuing to develop an opportunity in the global weight management market. Through a combination of fragrances delivered using the BreatheAssist platform, we will seek to assist those wishing to better manage their appetite.

DRUG DELIVERY

The company is actively investigating the opportunity for the utilisation of our technology platform to deliver medication through the nose. From pain relief through to the topical treatment of hayfever, allergies and sinusitis, the nose is a well-established route for the delivery of a wide variety of medications.

The Company are specifically seeking to identify medication whose efficacy or safety is currently hampered by inefficient or ineffective delivery methods. This may be oral, injectable, transdermal or potentially nasal spray treatments. The company will be undertaking investigative clinical work to assess the potential target medications and prove up their applicability for delivery using our nasal technology. We anticipate that the company will utilise its existing technology and also seek to develop new technology that will broaden our portfolio as we continue to build on our position as one of the world's foremost nasal technology companies.

“From pain relief through to the topical treatment of hayfever, allergies and sinusitis, the nose is a well-established route for the delivery of a wide variety of medications.”

VIBROVEIN™

The Vibrovein technology is built on a compelling proposition. That the vibration of the needle in a syringe can significantly reduce the pain experienced by a patient in a variety of applications. Initially developed by Melbourne based Sclerotherapist Dr John Marx, the company is continuing to develop the technology following an internal technical review earlier this year.

The goal of reducing pain associated with needles has long been a holy grail in medical technology. Consequently the intellectual property landscape is well established and crowded. Shareholders will note the significant right down in value attached to the Vibrovein Intellectual property, which in your board's view, better reflects the current position of this asset.

The company remains committed to delivering a positive commercial outcome for shareholders from Vibrovein and, as a result we have recently sought to strengthen the IP position through the submission of a new provisional patent that covers a novel and inventive development. We will undertake further development work over the next 12 months in order to secure this position and create a clear and compelling commercial proposition for this important asset.

“The Vibrovein technology is built on a compelling proposition. That the vibration of the needle in a syringe can significantly reduce the pain experienced by a patient in a variety of applications.”

INTELLECTUAL PROPERTY

A NASAL CAVITY DILATOR

Country / Jurisdiction	Patent / Application No.	Status
International	WO2004/026391	Completed
Australia	2003227108	Granted
Australia	2007202425	Granted
Australia	2011200652	Granted
United States of America	7,105,008	Granted
United States of America	7,727,252	Granted
United States of America	7,740,643	Granted
New Zealand	539496	Granted
Japan	4582518B	Granted
Mexico	MXPA05003044	Granted
Europe	1549379	Accepted - awaiting grant

IMPROVEMENTS RELATING TO NASAL DILATION DEVICES

Country / Jurisdiction	Patent / Application No.	Status
International	PCT/AU2012/000898	Pending
International	PCT/AU2013/000043	Pending
Australia	2013204827	Pending
Australia	2013205674 (divisional)	Pending
Australia	2013205673 (divisional)	Pending
Australia	2013205667 (divisional)	Pending
Australia	2013205665 (divisional)	Pending

DESIGN APPLICATIONS - BREATHEASSIST

Country / Jurisdiction	Patent / Application No.	Status
Australia	350709	Pending
Australia	AU13438/2013	Pending
Brazil	BR302013003518.2	Pending
Japan	D2013-016585	Pending
India	255356	Pending
European Community	002277434	Pending
Mexico	MX/f/2013/002100	Pending
China	201330341154.3	Pending
New Zealand	417812	Pending
United States of America	29/461217	Pending
Canada	152154	Pending
Argentina	85.804	Pending

VIBRATING MEDICAL DEVICE & METHOD OF PERFORMING MEDICAL PROCEDURES

Country / Jurisdiction	Patent / Application No.	Status
Australia	2012904755	Pending
Australia	2013903427	Pending

CORPORATE DIRECTORY

AUSTRALIAN COMPANY NUMBER (ACN)

107 903 159

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

DIRECTORS

Martin Rogers - Non-executive Chairman
Lord Simon Reading - Non-executive Director

SECURITIES QUOTED

Listed on the Australian Securities Exchange (ASX)

EXECUTIVE DIRECTOR

Michael Johnson

- Ordinary Fully Paid Shares (Code: CGP)

COMPANY SECRETARIES

Phillip Hains
Justyn Stedwell

- Listed Options over Ordinary Fully Paid Shares (Code: CGPO) exercisable at \$0.125 per option on or before 31 December 2014

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

Suite 1, 1233 High Street
Armadale VIC 3143
Telephone: +61 (0) 3 9824 5254
Facsimile: +61 (0) 3 9822 7735
New email: info@rhinomed.com.au
New website: www.rhinomed.com.au

- Listed Options over Ordinary Fully Paid Shares (Code: CGPOA) exercisable at \$0.06 per option on or before 30 April 2017

SHARE REGISTRY

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Applecross WA 6953
Telephone: +61 (0) 8 9315 2233
Facsimilie: +61 (0) 8 9315 2333
Email: registrar@securitytransfer.com.au

BANKERS

NAB
330 Collins Street
Melbourne, Victoria 3000

AUDITORS

HLB Mann Judd
Level 9, 575 Bourke Street
Melbourne, Victoria 3000

DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'group') consisting of Consegna Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 30 June 2013.

1. Directors

The following persons were directors of Consegna Group Limited during the whole of the financial year and up to date of this report, unless otherwise stated:

- › Martin Rogers (appointed 3 September 2012)
- › Lord Simon Reading
- › Rod Tomlinson (resigned 3 September 2012)
- › Brendan Fleiter (resigned 26 November 2012)
- › Fabio Pannuti (resigned 1 February 2013)
- › Michael Johnson (appointed 1 February 2013)

Principal Activities

The Group's principal activities in the course of the financial year were research, development and commercialisation of consumer and medical devices. There were no significant changes in the nature of the Group's principal activities during the financial year.

The consolidated loss of the Group after providing for income tax amounted to \$19,559,713 (2012: \$1,308,494).

Review of Operations

In February 2013 the Company put in place a strategy focused on the systematic de-risking of the Company's assets. The objective was to effect a turnaround of the Company with the outcome being a product ready for commercialisation. We can report that the milestones relating to this objective have been achieved. This year the Company has:

- › Focused the business on commercialising the near to market BreatheAssist technology portfolio;
- › Put in place a commercialisation program that will deliver revenues from the BreatheAssist technology this calendar year;
- › Reviewed the Company's intellectual property position and sought to strengthen the position;
- › Reviewed the Company's product portfolio, undertaken consumer trials and provided input into branding, marketing and product development programs;
- › Completed a branding exercise that resulted in the creation of the Turbine™ brand targeting the sport and exercise market;
- › Undertaken a comprehensive review of the manufacturing arrangements and locked in a highly attractive manufacturing agreement that delivers long term benefits to the Company;
- › Developed a launch program that will see the Turbine™ product being sold on line in the second half of 2013;
- › Restructured the company's capital on a 5 to 1 basis;
- › Undertaken a Share Purchase Plan and Option Rights issue which allowed existing shareholders to reposition themselves in the stock.

Directors' Report (continued)

This has been achieved with a tightened control over the cash expenditure, as shown in the following analysis of net cash used in operating activities shown in the Consolidated Statement of Cash Flows over the four half's to 30 June 2013:

	Financial Year 2013	Financial Year 2012
July to December	\$1.97m	\$1.55m
January to June	\$0.34m	\$1.38m
Net cash used in operating activities	\$2.31m	\$2.93m

A New Direction

There is no question that the first half of this financial year was suboptimal for the Company. The first half of the year saw the Company:

- › Fail to secure the early stage global licensing deal for the BreatheAssist asset;
- › Experience a significant overrun in expenses throughout the period (travel and accommodation in particular);
- › Record significant decrease in the value of the Company's 29% holding in Imugene Limited (ASX:IMU);
- › Dispose of Aspen Medisys LLC following an evaluation of the commercialisation requirements and IP position, recording a \$5.4M loss.

The significant decline in the value of the Company and poor fiscal management created an untenable situation. Change was required and took place at a board and management level in January 2013 to prevent further erosion of shareholder value.

Following this process, new management introduced a more prudent approach to commercialisation of the Company's assets which reflects a more fiscally conservative, focused and lean start up approach to realising the value of the intellectual property portfolio. The Company's new strategy is clear:

- › Commercialise the existing BreatheAssist technology in consumer markets;
- › Clearly demonstrate that these markets provide the basis for long term growth;
- › Continue to build and strengthen the technology platform in the medical and healthcare markets;
- › Optimise the commercialisation of these opportunities by leveraging the established positions in the consumer markets;
- › Clearly demonstrate the strategic value of the portfolio to prospective partners.

BREATHEASSIST™

The Company is focused on realising the value that exists in the BreatheAssist portfolio this calendar year. The technology will be launched initially in November 2013 in the sport and exercise market. This market is an early adopter of performance technology and the Turbine™ has been designed to resonate strongly with these consumers. Our entry point is the online Australian sport and exercise market, however we expect to see significant longer term growth from the global cycling, triathlete, running and aerobic sports markets. Our confidence in this strategy is based on the compelling proposition (38% more airflow), the strong indicative demand from participants in the Company's recently conducted user research trial and the strong growth rates in these markets.

Directors' Report (continued)

The Company will leverage this entry position in sport and exercise through the development of the sleep program and the launch of the snoring product in 2014 and the further development of its drug delivery program. Access into these high value medical and health markets provides the Company with significant opportunities.

VIBROVEIN

Following a review of the core assumptions driving the valuation of the intellectual property and market opportunity for Vibrovein, the Company recognised impairment in the value of the Vibrovein intellectual property of \$10m. The Company remains committed to the commercialisation of the Vibrovein technology and will continue to assess the opportunities and whether a viable commercial outcome for shareholders can be achieved.

Operating Result

The Group reported a loss of \$19.6M for the year ended 30 June 2013. Key drivers of the result were the significant write down in the value of the Vibrovein technology (\$10m), loss in the value of the Company's holding in Imugene limited (\$1m) and the recognition of the disposal of the Aspen Medisys technology (\$5.4m).

Capital Raising

Capital raisings over the 12-month period raised \$1.98M.

Your Board is increasingly confident that the strategies put in place will deliver a positive outcome for all shareholders. Our mission, to demonstrate that the technology has the potential to deliver strong revenues lines, while also clearly showing the long term strategic value to larger partners, remains in place. The Company is on track to book revenues this calendar year and will continue to bring to market compelling high value solutions in the sleep, wellbeing and drug delivery markets.

We thank all shareholders for their strong support and patience over this difficult period. The Company is now well positioned to take full advantage of some exciting opportunities in 2014.

Dividends

No dividend has been paid or recommended during the year and up the date of this report.

Significant changes in the state of affairs

During the year, following a change in management, the Company shifted its focus to realising the value that exists in the BreatheAssist portfolio.

Matters subsequent to the end of the financial year

On 8 July 2013, the convertible security under the funding facility with the Australian Special Opportunity Fund, LP which is managed by Lind Partners, LLC was reduced to \$nil with the conversion of \$175,000 representing 12,500,000 (post-consolidation) shares @ \$0.01.

Directors' Report (continued)

On 21 August 2013 the Company announced the completion of a private placement of 25,000,000 shares at \$0.04 per share raising \$1,000,000 before costs. In addition, and subject to shareholder approval at the Company's 2013 Annual General Meeting, the Company will issue one free attaching option for each four shares subscribed for under the placement. The options will have an exercise price of \$0.06 and an expiry date of 30 April 2017.

On 17 September 2013, the Company reduced its shareholding in Imugene Limited via the sale of 75,000,000 shares.

Likely developments and expected results of operations

Refer to Review of Operations.

Environmental regulation

The consolidated entity's operations are not subject to any significant environmental regulation.

Information on directors

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

Mr Martin Rogers

Non-Executive
Chairman

Appointed as director on 3 September 2012

Mr Rogers is a successful startup investor and company director. Mr Rogers has Chemical Engineering and Science degrees and has a depth of experience in incubating companies and publicly listed organisations.

Mr Rogers has experience in all aspects of financial, strategic and operational management and has helped raise over \$100m cash equity. Mr Rogers has been both an investor and senior executive in a private funded advisory business in the science and biotechnology sectors, where he was instrumental in significantly increasing the value of those investments. Mr Rogers has also holds a number of not-for-profit roles.

Committees

He is a member of the Remuneration and Audit Committee

Other Directorships

Cellmid Limited, OncoSil Medical Limited and Prima Biomed Limited

Interest in shares 2,100,000 ordinary fully paid shares

Interest in options 25,300,000 options

Directors' Report (continued)

Mr Michael Johnson

Executive Director

Appointed as director on 1 February 2013

Mr Johnson is a director of Melbourne based Cogentum, a marketing strategy firm that has successfully assisted many of the sector's top companies in the commercialisation of their assets. His experience includes advising the team at Acrux (ASX:ACR) as they successfully licensed the Axiron® product with Eli Lilly, the largest biotech licensing deal in Australia at the time, and CogState (ASX:CGS) as they effectively entered the sport concussion market. Over a 23 year career, he has held senior roles with some of the world's most successful marketing and communication firms where he has successfully launched a number of high profile new products and brands. Mr Johnson has received a Masters degree in Entrepreneurship and Innovation from Swinburne University and a Bachelors degree in Business from Monash University.

Committees

He is a member of the Audit and Remuneration Committees

Other Directorships

Nil

Interest in shares 872,499 ordinary fully paid shares

Interest in options 31,273,056 options

Lord Simon Reading

Non-executive Director

Appointed as director on 1 March 2012

Lord Reading has been a long-standing member of the House of Lords in the United Kingdom, a member of the London Stock Exchange, he has chaired numerous public company boards throughout the globe and is currently a director and /or trustee of several overseas funds and world recognised high profile charitable organisations.

Committees

He is Chair of the Remuneration and Audit Committee

Other Directorships

Nil

Interest in shares Nil

Interest in options 10,000,000 options

Directors' Report (continued)

Mr Roderick Tomlinson
Non-executive Chairman
until 3 September 2012

Appointed as director on 12 April 2011
Date of resignation 3 September 2012

Mr Tomlinson is a qualified Industrial Chemist who was Chief Chemist of Smith + Nephew Australia and post this was head of research for Ensign Laboratories. He then started his own business, Soltec Group which he sold in 1996 to FH Faulding and Co Pharmaceuticals for more than \$20million. Rod continued to advise Faulding on drug delivery systems prior to retiring in 1998. Post this he was a director at a division of FH Faulding and Co Pharmaceuticals. Rod has his own High Tech Investment Fund and assisted in the funding of Consegna's BreatheAssist™ product.

Mr Fabio Pannuti
Executive Chairman
until 1 February 2013

Appointed as director on 24 February 2011
Date of resignation 1 February 2013

Mr Pannuti has extensive experience building technology and resources companies. He has had direct experience in many successful mergers and acquisitions, and has been involved with high profile deals such as the acquisition of oil bunkering stations on the Panama Canal, acquisition of the Van Diemen's Land Company (a Royal Charter vehicle, incorporated in 1826 and one of the world's oldest public companies) and the merger of the largest advertising and media agency in Eastern Europe. Many of the assets have been listed on public markets including NASDAQ and ASX.

Mr Brendan Fleiter
Non-executive Director
until 26 November 2012

Appointed 14 November 2011
Date of resignation 26 November 2012

Mr. Fleiter has extensive commercial experience having practiced as a commercial lawyer for many years before spending 13 years with the Crazy John's group as a non-executive director and later CEO. He was a non-executive director of the ASX listed People Telecom Ltd for seven years before its merger with M2 Telecom Ltd and is currently a non-executive director of Australia Post. He is also a director of several not for profit organizations.

Directors' Report (continued)

Company Secretaries

Mr Phillip Hains

CFO & Joint
Company Secretary

Appointed on 24 December 2012

Mr. Hains is a Chartered Accountant operating a specialist public practice, 'The CFO Solution'.

The CFO Solution focuses on providing back office support, financial reporting and compliance systems for listed public companies. A specialist in the public company environment, Mr Hains has served the needs of a number of company boards and their related committees. He has over 20 years' experience in providing businesses with accounting, administration, compliance and general management services. He holds a Master of Business Administration from RMIT and a Public Practice Certificate from the Institute of Chartered Accountants.

Interest in shares 4,600,000 ordinary fully paid shares

Interest in options 11,350,000 options

Mr Justyn Stedwell

Joint Company
Secretary

Appointed on 22 June 2011

Mr Stedwell is a professional Company Secretary with over six years' experience as a Company Secretary in ASX listed companies within various industries including IT & Telecommunications, Biotechnology, and Mining.

He has completed a Bachelor of Business & Commerce (Management & 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.

Interest in shares Nil

Interest in options 1,000,000 options

Directors' Report (continued)

Meetings of directors

The numbers of directors' and other meetings attended by each of the Directors during the financial year are:

	Directors' Meetings		Remuneration & Audit Committee Meetings	
	Attended	Held	Attended	Held
Lord Simon Reading	9	11	1	1
Martin Rogers	9	9	1	1
Fabio Pannuti	7	8	2	2
Rod Tomlinson	2	2	—	—
Michael Johnson	3	3	1	1
Brendan Fleiter	4	4	2	2

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Service agreements
- D. Share-based compensation
- E. Relationship between remuneration policy and group performance

A Principles used to determine the nature and amount of remuneration

Principles of Compensation

The Board's policies for determining the amount and nature of compensation of key management personnel of the Group are as follows:

The compensation structure for key management personnel is based on a number of factors, including length of service, specific experience of the individual, the individual's performance and contribution to the Group and the overall performance of the Group.

Directors' Report (continued)

The compensation structure of individual key management personnel is embodied in individual service contracts that include incentives designed to reward key management personnel for results achieved and to retain their services, as well as to create goals congruence between directors, executives and shareholders. The Board's policy for determining remuneration is based on the following:

- i. The policy is developed by and approved by the board;
- ii. All Key Management Personnel ("KMP") receive a base remuneration;
- iii. Performance incentives are generally only paid once predetermined key performance indicators (KPI's) have been met;
- iv. Incentives paid in the form of options are designed to align the interests of the directors and company with those of shareholders.

All remuneration paid to KMP is valued at the cost to the Group and expensed. KMP are also entitled and encouraged to participate in the employee share and option arrangements to align directors' interest with shareholders.

Fixed remuneration

Fixed compensation consisted of a base salary (calculated on a total cost basis, including any fringe benefits tax related to employee benefits) as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Remuneration and Audit Committee through a process that considers individual and company achievement.

Performance linked remuneration

Performance linked compensation includes short term incentives (STI), in the form of cash bonuses paid only upon the achievement of predetermined KPIs.

Long term incentives (LTI) provided are options over ordinary shares in the Company.

Performance remuneration is designed to align the targets of the business units with the targets of those executives in charge of meeting those targets. Incentive based payments may be granted to executives based on specific annual targets and KPI being achieved. KPI's include financial and/or operational performance targets. In addition, equity payments in the form of share options may be issued to KMP to further align their interests with the performance of the company.

Short term incentive Bonus (STI)

No STI bonuses were granted to KMP during the financial years ended 30 June 2013 and 2012.

Directors' Report (continued)

Long term incentives (LTI)

Options granted to KMP during the financial year ended 30 June 2013 are shown in item D of this remuneration report. They vested on granting.

Relationship between the remuneration policy and Group performance

The remuneration of executives consists of an unrisksed element (base pay) and cash bonuses based on performance in relation to key strategic, non-financial measures linked to drivers of performance in future reporting periods. As such, remuneration is not linked to the financial performance of the Group in the current or previous reporting periods.

B Details of remuneration

Amounts of Remuneration

The key management personnel of the consolidated entity consisted of the following directors of Consegna Group Limited:

- Martin Rogers – Non-Executive Chairman (appointed 3 September 2012)
- Fabio Pannuti – Executive Chairman (resigned 1 February 2013)
- Michael Johnson – Executive Director (appointed 1 February 2013)
- Lord Simon Reading – Non-Executive Director
- Rod Tomlinson – Non-Executive Director (resigned 3 September 2012)
- Brendan Fleiter – Non-Executive Director (resigned 26 November 2012)

And the following persons:

- Andrew Ellem – Chief Financial Officer (resigned 24 December 2012)
- Justyn Stedwell – Joint Company Secretary
- Phillip Hains – Joint Company Secretary and Chief Financial Officer (appointed 24 December 2012)
- Dr Nicholas Ede – Chief Technical Officer (resigned 24 January 2013)

Directors' Report (continued)

Details of the remuneration of the key management personnel of the consolidated entity are set out in the following tables.

2013	Short term benefits			Post employment benefits	Long term benefits	Share based payments	Total \$	Value of remuneration not related to performance
	Cash salary & fees \$	Bonus \$	Non-monetary \$	Superannuation \$	Long service leave \$	Equity settled \$		
Non-executive Directors								
Martin Rogers	71,636	-	-	-	-	566,160	637,796	11.23%
Lord Simon Reading	50,807	-	-	-	-	235,900	286,707	17.72%
Brendan Fleiter	23,333	-	-	-	-	-	23,333	100%
Rod Tomlinson	14,000	-	-	-	-	-	14,000	100%
Executive Directors								
Fabio Pannuti	250,705	-	-	-	-	-	250,705	100%
Michael Johnson	60,000	-	-	-	-	707,700	767,000	7.82%
Other Key Management Personnel								
Dr Nicholas Ede	148,104	-	-	-	-	-	148,104	100%
Andrew Ellem	60,000	-	-	-	-	-	60,000	100%
Justyn Stedwell	16,700	-	-	-	-	-	16,700	100%
Phillip Hains	52,000	-	-	-	-	301,900	353,900	14.69%
	747,285	-	-	-	-	1,811,660	2,558,245	

2012	Short term benefits			Post employment benefits	Long term benefits	Share based payments	Total \$	Value of remuneration not related to performance
	Cash salary & fees \$	Bonus \$	Non-monetary \$	Superannuation \$	Long service leave \$	Equity settled \$		
Non-executive Directors								
Rod Tomlinson	84,000	-	-	-	-	200,000	284,000	29.57%
Brendan Fleiter	29,667	-	-	-	-	-	29,667	100%
Peter Abrahamson	49,500	-	-	-	-	200,000	249,500	19.84%
Lord Simon Reading	36,948	-	-	-	-	-	36,948	100%
Executive Directors								
Fabio Pannuti	430,000	-	-	-	-	400,000	830,000	51.80%
Other Key Management Personnel								
Dr Nicholas Ede	55,087	-	-	-	-	-	55,807	100%
Andrew Ellem	30,800	-	-	-	-	-	30,800	100%
Justyn Stedwell	33,480	-	-	-	-	120,000	153,480	21.81%
	748,982	-	-	-	-	920,000	1,668,982	

Directors' Report (continued)

C Service agreements

Executives

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Michael Johnson

Title: Executive Director appointed 1 February 2013

Term of agreement: Standard Rolling Agreement (no fixed term)

Details: Consegna Group Limited has a contract with Cogentum Pty Limited, a market strategy and commercialisation advisory firm who provide other strategic consulting services to the Group. Details of these transactions are outlined in note 24 of the financial statements. Through this contract the services of Executive Director, Michael Johnson were provided during the period. The contract commenced on 4 February 2013 and can be terminated by either party without notice. As a KMP, Mr Johnson may be entitled to participate in the Group's employee share option plans.

Name: Phillip Hains

Title: **Joint** Chief Financial Officer & Joint Company Secretary appointed 24 December 2012

Term of agreement: Standard Rolling Agreement (no fixed term)

Details Consegna Group Limited has a contract with The CFO Solution, a specialist public practice, focusing on providing back office support, financial reporting and compliance systems for listed public companies. Through this contact the services of Mr Phillip Hains and Mr Justyn Stedwell (from 1 January 2013) were provided. The contract commenced on 24 December 2013 and can be terminated with three months' notice of either party. As a KMP, Mr Hains may be entitled to participate in the Group's employee share option plans.

Name: Justyn Stedwell

Title: Joint Company Secretary appointed 22 June 2011

Term of agreement: Standard Rolling Agreement (no fixed term)

Details Mr Stedwell received a fixed monthly retainer of \$3,000 per month. As a KMP Mr Stedwell may be entitled to participate in the Employee Share option Plan based upon achievement of performance targets and key performance indicators to be agreed upon by the Board and Mr Stedwell in due course. This agreement was terminated on 1 January 2013 and Mr Stedwell's services were provided by The CFO Solution (see above).

Directors' Report (continued)

Non-executive Directors

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations is separate and distinct.

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board of Directors. The Board of Directors considers advice from external sources as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Each director receives a fee for being a director of the company.

The Chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration.

The base fee for a non-executive director is presently \$60,000 pa and for the non-executive chairman \$84,000 pa, plus GST. Directors invoice the Company monthly for these amounts on a pro rata basis.

Directors' fees cover all main board activities and committee memberships.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

D Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2013 are set out below:

Name	Date	No. of shares	Issue price
Phillip Hains	02/04/2013	16,500,000	\$0.004

Directors' Report (continued)

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date & exercisable date	Expiry date	Exercise price*	Fair value per option at grant date*
03/04/2013	03/04/2013	30/07/2017	\$0.06	\$0.02359

* Exercise price and fair value per option adjusted in line with 1:5 share consolidation which took effect on 10 April 2013.

Options granted carry no dividend or voting rights and the value of the grant was determined in accordance with applicable Australian Accounting Standards.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2013 are set out below:

Name	Number of options granted during the year			Number of options vested during the year		
	2013 pre consolidated	2013 post consolidated	2012	2013 pre consolidated	2013 post consolidated	2012
Phillip Hains	50,000,000	10,000,000	-	50,000,000	10,000,000	-
Michael Johnson	150,000,000	30,000,000	-	150,000,000	30,000,000	-
Fabio Pannuti	-	-	20,000,000	-	-	20,000,000
Lord Simon Reading	50,000,000	10,000,000	-	50,000,000	10,000,000	-
Martin Rogers	120,000,000	24,000,000	-	120,000,000	24,000,000	-
Justyn Stedwell	-	-	5,000,000	-	-	5,000,000
Rod Tomlinson	-	-	10,000,000	-	-	10,000,000
Peter Abrahamson	-	-	10,000,000	-	-	10,000,000
	370,000,000	74,000,000	45,000,000	370,000,000	74,000,000	45,000,000

Directors' Report (continued)

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2013 are set out below:

Name	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Remuneration consisting of options for the year %
Phillip Hains	235,900	-	-	66.66%
Michael Johnson	707,700	-	-	92.27%
Fabio Pannuti	-	-	-	-
Lord Simon Reading	235,900	-	-	82.28%
Martin Rogers	566,160	-	-	88.77%
Justyn Stedwell	-	-	-	-
Rod Tomlinson	-	-	-	-
	1,745,660	-	-	68.24%

* Options values at grant date are determined using the Binomial method.

E Relationship between the remuneration policy and group performance

As detailed under heading A, remuneration of executives consists of an unrisksed element (base pay) and cash bonuses based on performance in relation to key strategic, non-financial measures linked to drivers of performance in future reporting periods. As such, remuneration is not linked to the financial performance of the Group in the current or previous reporting periods.

The tables below set out summary information about the Group's earnings and movement in shareholder wealth for the five years to 30 June 2013:

	30 June 2013 \$	30 June 2012 \$	30 June 2011 \$	30 June 2010 \$	30 June 2009 \$
Revenue	300,500	5,515,748	-	-	-
Net loss before tax	(19,559,713)	(1,308,494)	(1,128,712)	(858,411)	(881,025)
Net loss after tax	(19,559,713)	(1,308,494)	(1,128,712)	(858,411)	(881,025)

No dividends have been paid for the five years to 30 June 2013.

	30 June 2013	30 June 2012	30 June 2011	30 June 2010	30 June 2009
Share price at start of year *	\$0.40	\$0.55	\$0.38	\$0.68	\$1.60
Share price at end of year *	\$0.03	\$0.40	\$0.55	\$0.38	\$0.68
Basic & diluted loss per share (cents) *	8.20	0.98	1.80	5.00	5.25

* Share price and loss per share adjusted for the 1:5 consolidation of share capital which took effect on 10 April 2013.

This concludes the remuneration report, which has been audited.

Directors' Report (continued)

Shares under option

Unissued ordinary shares of Consegna Group Limited under option as at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
11/11/2010	30/06/2015	\$0.050	5,000,000
02/11/2011	31/12/2014	\$0.125	6,060,000
29/11/2011	07/12/2014	\$0.250	4,000,000
29/11/2011	07/12/2014	\$0.500	4,000,000
23/12/2011	31/12/2014	\$0.225	6,000,000
21/12/2011	31/12/2013	\$0.175	4,504,000
29/02/2012	28/02/2015	\$0.150	1,200,000
13/07/2012	17/07/2015	\$0.118	2,000,000
20/07/2012	28/02/2015	\$0.150	4,000,000
03/04/2013	30/04/2017	\$0.060	90,000,000
03/04/2013	11/05/2015	\$0.200	796,150
27/05/2013	30/04/2017	\$0.060	95,400,000
			222,960,150

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate. There have been no unissued shares or interest under option of any controlled entity within the Group during or since the end of the reporting period.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith. During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Directors' Report (continued)

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

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 21 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

There are no officers of the company who are former audit partners of HLB Mann Judd.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

HLB Mann Judd continues in office in accordance with section 327 of the Corporations Act 2001.

This report, incorporating the audited remuneration report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Michael Johnson
Director

27 September 2013
Melbourne, Victoria



Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Consegna Group Limited for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Consegna Group Limited and to the entities it controlled during the year.

A handwritten signature in blue ink that reads 'HLB Mann Judd'.

HLB Mann Judd
Chartered Accountants

Melbourne
27 September 2013

A handwritten signature in blue ink that reads 'Jude Lau'.

Jude Lau
Partner

HLB Mann Judd (VIC Partnership)

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CORPORATE GOVERNANCE STATEMENT

The Board of Directors ('the Board') of Consegna Group Limited (the 'Company') is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

Commensurate with the spirit of the ASX Corporate Governance Principles and Recommendations, the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company and the Board, resources available and activities of the Company. Where the Company's corporate governance practices depart from the Principles and Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

The table below summarises the Company's compliance with the ASX Corporate Governance Council's Principles and Recommendations, in accordance with ASX Listing Rule 4.10.3.

Principals and Recommendations		Compliance	Comply
Principal 1 - Lay solid foundation for management and oversight			
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	<p>The Board is responsible for the overall corporate governance of the Company.</p> <p>The Board has adopted a Board Charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to senior executives.</p> <p>The Board has adopted a Delegations of Authority that sets limits of authority for senior executives.</p> <p>On appointment of a director, the Company issues a letter of appointment setting out the terms and conditions of appointment to the Board.</p>	Complies
1.2	Disclose the process for evaluating the performance of senior executives.	<p>The Board conducts performance reviews of key management personnel (KMP) when deemed appropriate. The Board assesses the performance of KMP against qualitative and quantitative key performance indicators relevant to each KMP.</p> <p>A performance review of KMP was conducted during the 2013 financial year in accordance with this process.</p>	Complies

Corporate Governance Statement (continued)

Principals and Recommendations		Compliance	Comply
Principal 1 - Lay solid foundation for management and oversight (continued)			
1.3	Provide the information indicated in <i>Guide to reporting on Principle 1</i> .	A Board Charter has been disclosed on the Company's website and is summarised in this Corporate Governance Statement.	Complies
		A performance evaluation process is disclosed on the Company's website. A Board performance evaluation was conducted in 2013 in accordance with this process.	Complies
		The Board conducted a performance evaluation for senior executives in the financial year in accordance with the process above.	Complies
Principal 2 - Structure the Board to add value			
2.1	A majority of the Board should be independent directors.	The Board assesses whether a director is independent in accordance the ASX Corporate Governance Council's independence guidelines. The Board consists of a majority of independent directors with two of three directors being independent.	Complies
2.2	The chair should be an independent director.	Martin Rogers is the Chairman and is an independent Non-Executive Director. *Prior to the appointment of Martin Rogers as Chairman in February 2013, the Board was Chaired by Fabio Pannuti who was not an independent director. Prior to the appointment of Martin Rogers as Chairman the Board believed it was appropriate to have the Chairman involved in the management and operations of the Company as an executive.	Complies*
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Martin Rogers is the Chairman and Michael Johnson is the Managing Director. *Prior to the Board restructure in February 2013, Fabio Pannuti was the Chairman and Managing Director of the Company. Prior to the Board restructure in February 2013 the Board believed it was appropriate to have the Chairman involved in the management and operations of the Company as an executive.	Complies*

Corporate Governance Statement (continued)

Principals and Recommendations		Compliance	Comply
Principal 2 - Structure the Board to add value (continued)			
2.4	The Board should establish a nomination committee.	<p>The Company has established a Remuneration & Audit Committee which is responsible for the Nomination of Directors.</p> <p>The Board has undertaken a review of the mix of skills and experience on the Board in light of the Company's principal activities and direction, and has considered diversity in succession planning. The Board considers the current mix of skills and experience of members of the Board and its senior management is sufficient to meet the requirements of the Company.</p> <p>The Board supports the nomination and re-election of the directors at the Company's forthcoming Annual General Meeting.</p>	Complies
2.5	Disclose the process for evaluating the performance of the Board, its committee and individual directors.	The Company conducts the process for evaluating the performance of the Board, its committees and individual directors as outlined on the Company's website.	Complies
2.6	Provide the information indicated in the <i>Guide to reporting on Principle 2</i> .	<p>Unless stated below, the information has been disclosed, where applicable, in the directors' report attached to the Corporate Governance Statement.</p> <p>A director is considered independent when that director satisfies the test for independence as set out in the ASX Corporate Governance Recommendations. Martin Rogers and Lord Simon Reading are independent directors. Michael Johnson is an Executive Director and therefore is not independent.</p> <p>Directors may seek independent external professional advice as considered necessary at the expense of the Company, subject to prior Consultation with the Chairman. A copy of any such advice received is made available to all members of the Board.</p> <p>Further details of the Company's directors are disclosed in the director's report attached to this Corporate Governance Statement. Other disclosure material on the Structure of the Board has been made available on the Company's website.</p>	Complies

Corporate Governance Statement (continued)

Principals and Recommendations		Compliance	Comply
Principal 3 - Promote ethical and responsible decision making			
3.1	Establish a code of conduct and disclose the code or a summary of the code.	<p>The Board has adopted a Code of Conduct. The Code of Conduct establishes a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct.</p> <p>The Code of Conduct is available on the Company's website.</p>	Complies
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	<p>The Board has adopted a Diversity Policy that outlines the objectives in relation to gender, age, cultural background and ethnicity.</p> <p>Consegna Group is an equal opportunity employer and aims to recruit staff at all levels from as diverse a pool of qualified candidates as reasonably possible based on their skills, qualifications and experience.</p> <p>The Diversity Policy is available on the Company's website.</p>	Complies
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	The Company is currently satisfied with the level of diversity within the organization and in senior management positions and therefore has not set specific measurable objectives in regards to gender diversity. However, the Company does intend to increase the level of gender diversity within the organisation in the future.	Non-compliant
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	<p>The proportion of women employees in the consolidated entity as at 30 June 2013 are as follows:</p> <ul style="list-style-type: none"> • Women on the board: 0 of 3 (0%) • Women in senior executive positions: 0 of 1 (0%) • Women in the organisation: 0 of 6 (0%) 	Complies
3.5	Provide the information indicated in <i>Guide to reporting on Principle 3</i> .	The Code of Conduct and Diversity Policy has been disclosed on the Company's website and is summarised in this Corporate Governance Statement.	Complies
		The measurable objectives for achieving gender diversity and progress towards achieving them is disclosed in this Corporate Governance Statement.	Complies
		The proportion of women in the Company is disclosed in this Corporate Governance Statement.	Complies

Corporate Governance Statement (continued)

Principals and Recommendations		Compliance	Comply
Principal 4 - Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	The Board established a Remuneration & Audit Committee which operates under a Committee Charter to focus on issues relevant to the integrity of the Company's financial reporting.	Complies
4.2	<p>The Remuneration and Audit committee should be structured so that it:</p> <ul style="list-style-type: none"> • consists of only non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the Board; and • have at least 3 members. 	<p>Given the size of the Company and the Board, the Board has assumed the role of the Remuneration & Audit Committee, therefore the Committee does not consist of only Non-Executive Directors. Two of three members of the Committee are non-executive directors and independent directors (Martin Rogers and Simon Reading) and one member is executive and not independent (Michael Johnson).</p> <p>The Remuneration & Audit Committee is Chaired by Lord Simon Reading who is an independent director.</p> <p>The Remuneration & Audit Committee did not comply with all Recommendations in section 4.2 as the committee did not consist of only non-executive directors. All other recommendations in section 4.2 were complied with.</p>	Does not comply as the Committee does not only consist of Non-Executive Directors. Given the size of the Company and the Board a committee consisting of a majority of Non-Executive and Independent directors is deemed by the Board to be appropriate.
4.3	The Remuneration and Audit committee should have a formal charter.	<p>The Board has adopted a Remuneration & Audit Committee Charter.</p> <p>This Charter is available on the Company's website.</p>	Complies
4.4	Provide the information indicated in <i>Guide to reporting on Principle 4</i> .	<p>This information has been disclosed in the directors' report attached to this Corporate Governance Statement and is summarised in this Corporate Governance Statement.</p> <p>The members of the Remuneration & Audit Committee are appointed by the Board and recommendations from the committee are presented to the Board for further discussion and resolution.</p> <p>The number of meetings held by the Remuneration & Audit Committee held is disclosed in the directors' report. The Committee meets at least twice per annum. The Committee Charter, and information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners, which is determined by the Audit, is available on the Company's website.</p>	Complies

Corporate Governance Statement (continued)

Principals and Recommendations		Compliance	Comply
Principal 5 - Make timely and balanced disclosure			
5.1	Establish written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	<p>The Company has adopted a Continuous Disclosure Policy, to ensure that it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001.</p> <p>This policy is available on the Company's website.</p>	Complies
5.2	Provide the information indicated in the <i>Guide to reporting on Principle 5</i> .	The Company's Continuous Disclosure Policy is available on the Company's website.	Complies
Principal 6 - Respect the rights of shareholders			
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	<p>The Company has adopted a Shareholder Communications Policy. The Company uses its website (www.consegna.com), annual report, market announcements and media disclosures to communicate with its shareholders, as well as encourages participation at general meetings.</p> <p>This policy is available on the Company's website.</p>	Complies
6.2	Provide the information indicated in <i>Guide to reporting on Principle 6</i> .	The Company's Shareholder Communications Policy is available on the Company's website.	Complies
Principal 7 - Recognise and manage risk			
7.1	Establish policies for the oversight and management and management of material business risks and disclose a summary of these policies.	<p>The Company has adopted a risk management statement. The Remuneration & Audit Committee is responsible for managing risk; however, ultimate responsibility for risk oversight and risk management rests with the Board.</p> <p>The Company's risk management statement is available on the Company's website.</p>	Complies
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	<p>The Company has identified key risks within the business. In the ordinary course of business, management monitor and manage these risks.</p> <p>Key operational and financial risks are presented to and reviewed by the Board at each Board meeting.</p>	Complies

Corporate Governance Statement (continued)

Principals and Recommendations		Compliance	Comply
Principal 7 - Recognise and manage risk (continued)			
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	The Board has received a statement from the Chief Executive Officer and Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	Complies
7.4	Provide the information indicated in <i>Guide to reporting on Principle 7</i> .	The Company's risk management statement is available on the Company's website. The Company has identified key risks within the business and has received a statement of assurance from the Chief Executive Officer and Chief Financial Officer.	Complies
Principal 8 - Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	The Board has established a Remuneration & Audit Committee and has adopted a Committee Charter.	Complies
8.2	The remuneration committee should be structured, so that it: consists of a majority of independent directors; is chaired by an independent director; and has at least three members.	The Remuneration & Audit Committee is structured in accordance with principle 8.2. The Committee consists of two independent directors, Lord Simon Reading and Martin Rogers and one non-independent executive director, Michael Johnson. The Committee is chaired by independent director, Lord Simon Reading.	Complies
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The Company complies with the guidelines for executive remuneration packages and non-executive director remuneration. The remuneration structure has been disclosed in the directors' report attached to the Corporate Governance Statement. No senior executive is involved directly in deciding their own remuneration.	Complies
8.4	Provide the information indicated in <i>Guide to reporting on Principle 8</i> .	The Board has adopted a Remuneration & Audit Committee Charter. This Charter is available on the company's website. The Company does not have any schemes for retirement benefits other than superannuation for non-executive directors.	Complies

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by Consegna Group Limited (soon to be known as Rhinomed Limited), please refer to the Company's new website: www.rhinomed.com.au

Corporate Governance Statement (continued)

Board functions

The Board is ultimately responsible for all matters relating to the running of the Company. The main task of the Board is to drive the performance of the Company.

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board; the Board will oversee the activities of management in carrying out these delegated duties.

The Board has the final responsibility for the successful operations of the Company. Successful operations will usually be manifest by achieving optimum shareholder value. The Board is responsible for articulating the following:

- › The objectives and strategic direction of the Company;
- › The values of the Company, including how it will treat with all stakeholders.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board will include the following:

1. Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company;
2. Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company;
3. Overseeing Planning Activities: the development of the Company's strategic plan;
4. Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy;
5. Company Finances: ensuring there are adequate resources provided to achieve the objectives;
6. Human Resources: establishing appropriate human resource policies and ensuring there are adequate human resources for the Company to be successful;
7. Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees;
8. Delegation of Authority: delegating appropriate powers to the CEO and the senior management team to ensure the effective day-to-day management of the Company; and
9. Ensuring there is appropriate Corporate Governance.

Structure of the Board

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the directors' report.

It is intended that the Board should comprise a majority of independent non-executive directors and comprise directors with a broad range of skills, expertise and experience.

Corporate Governance Statement (continued)

The Board only considers directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgment. The Board has adopted a definition of independence based on that set out in Principle 2 of the ASX Corporate Governance Principles and Recommendations (2nd edition). The Board will review the independence of each director in light of interests disclosed to the Board from time to time. In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Consegna Group Limited are considered to be independent:

<i>Name</i>	<i>Position</i>
Martin Rogers	Non-executive Director, Chairman
Lord Simon Reading	Non-executive Director

Statement concerning availability of independent professional advice

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his office as a director, then, provided the director first obtains approval for incurring such expense from the chairperson, the Company will pay the reasonable expenses associated with obtaining such advice.

Diversity policy

The Company is committed to providing an inclusive workplace and recognises the value of individuals with diverse skills, values, backgrounds and experiences will bring to the Company. At the core of the Company's diversity policy is a commitment to equality and respect. Diversity is recognising and valuing the unique contribution people can make because of their individual background and different skills, experiences and perspectives. People differ not just on the basis of race and gender, but also other dimensions such as lifestyle, education, physical ability, age and family responsibility.

Securities trading policy

Under the Company's Guidelines for Dealing in Securities Policy, directors, officers and employees of the Company should not trade in the Company's securities when he or she is in possession of price sensitive information that is not generally available to the market.

The Company's policy regarding directors and employees trading in its securities is set by the Board of Directors in the Company's Share Trading Policy. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by directors in the securities of the Company within five days of the transaction taking place.

The Securities Trading Policy has been issued to ASX and can be found on the Company's website.

Audit committee

The Board has established a Remuneration and Audit Committee which operates under a Charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Remuneration and Audit Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. The members of the Remuneration and Audit Committee during the year are set out in this statement and in the Directors' Report.

For details on the number of meetings of the Remuneration and Audit Committee held during the year and the attendees at those meetings, refer to the Directors' Report.

Risk

The responsibility of overseeing risk falls within the Charter of the Remuneration and Audit Committee. The Company identifies areas of risk within the Company and management and the Board continuously undertake a risk assessment of the Company's operations, procedures and processes. The risk assessment is aimed at identifying the following:

- » a culture of risk control and the minimisation of risk throughout the Company, which is being done through natural or instinctive process by employees of the Company;
- » a culture of risk control that can easily identify risks as they arise and amend practices;
- » the installation of practices and procedures in all areas of the business that are designed to minimise an event or incident that could have a financial or other effect on the business and its day to day management; and
- » adoption of these practices and procedures to minimise many of the standard commercial risks, i.e. taking out the appropriate insurance policies or ensuring compliance reporting is up to date.

CEO and CFO certification

The Chief Executive Officer and Chief Financial Officer have given a written declaration to the Board required by section 295A of the Corporations Act 2001 that in their view:

- » the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board;
- » the Company's risk management and internal compliance and control system is operating effectively in all material respects;
- » the Company's financial statements and notes thereto comply with the accounting standards; and
- » the Company's financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date.

Corporate Governance Statement (continued)

Performance

The performance of the Board and key executives is reviewed regularly using both measurable and qualitative indicators.

On an annual basis, directors will provide written feedback in relation to the performance of the Board and its Committee against a set of agreed criteria:

- » Each Committee of the Board will also be required to provide feedback in terms of a review of its own performance.
- » Feedback will be collected by the chair of the Board, or an external facilitator, and discussed by the Board, with consideration being given as to whether any steps should be taken to improve performance of the Board or its Committee.
- » The Executive Director will also provide feedback from senior management in connection with any issues that may be relevant in the context of Board performance review.
- » Where appropriate to facilitate the review process, assistance may be obtained from third party advisers.

Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board, in assuming the responsibilities of assessing remuneration to employees, links the nature and amount of executive directors' and officers' remuneration to the Company and consolidated entity's financial and operational performance. The expected outcomes of the remuneration structure are:

- » retention and motivation of key executives;
- » attraction of high quality management to the Company and consolidated entity; and
- » performance incentives that allow executives to share in the success of the Company.

For a more comprehensive explanation of the Company's and consolidated entity's remuneration framework and the remuneration received by directors and key executives in the current period, please refer to the remuneration report, which is contained within the Directors' Report.

There is no scheme to provide retirement benefits to executive or non-executive directors. The Remuneration and Audit Committee is responsible for determining and reviewing compensation arrangements for the directors themselves and the Executive Director and executive team.

Corporate social responsibility

The Company has embraced responsibility for the Company's actions and encourages a positive impact through its activities on the environment, employees, communities and stakeholders.

FULL YEAR FINANCIAL ACCOUNTS

For the Year Ended 30 June 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2013

	Note	Consolidated	
		30 June 2013 \$AUD	30 June 2012 \$AUD
Continuing Operations			
Income			
Other income	2	291,989	37,500
Financial income	2	8,511	39,508
Discount on acquisition due to bargain purchase	2	-	5,438,740
Expenses			
Employee benefits expense		(429,500)	(285,885)
Depreciation and amortisation	3	(7,430)	(15,172)
Accounting, secretarial & taxation services		(370,541)	(258,029)
Travel & accommodation		(134,665)	(605,424)
Consulting fees		(770,560)	(2,229,831)
Directors' fees		(263,335)	(266,494)
Insurances		(42,779)	(23,722)
Regulatory expenses		(30,386)	(87,713)
Legal expenses		(237,755)	(212,556)
Development costs		(119,511)	(90,523)
Impairment of intangibles	3	(10,093,525)	-
Fair value adjustment of investment		(1,027,500)	-
Loss on disposal of assets		(34,536)	-
Other expenses		(205,767)	(575,224)
Marketing & promotion expenses		(208,166)	-
Share based payments	3	(1,745,660)	(1,520,000)
Finance costs	3	(212,482)	(166,575)
Loss before income tax from continuing operations		(15,633,598)	(821,400)
Income tax benefit	4	666,535	59,276
Loss after income tax from continuing operations		(14,967,063)	(762,124)
Discontinued Operations			
Gain on sale of controlled entity	5	926,632	-
Net loss from discontinued operations	5	(50,748)	(546,370)
Write off loan to controlled entity on disposal	5	(46,828)	-
Loss on disposal of controlled entity	5	(5,421,706)	-
Total comprehensive loss after income tax from discontinued operations		(4,592,650)	(546,370)
Total comprehensive loss after income tax for the year		(19,559,713)	(1,308,494)
Total comprehensive loss attributable to non-controlling interest		-	(7,201)
Total comprehensive loss attributable to owners of the parent entity		(19,559,713)	(1,301,293)
Basic & diluted loss per share (cents per share)	29	8.20	0.98
Basic & diluted loss per share from continuing operations (cents per share)	29	6.30	0.56
Basic & diluted loss per share from discontinued operations (cents per share)	29	1.90	0.41

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Note	Consolidated	
		30 June 2013 \$AUD	30 June 2012 \$AUD
ASSETS			
<i>Current Assets</i>			
Cash & cash equivalents	6	323,149	446,113
Trade & other receivables	7	676,702	74,949
Inventories	8	-	2,628
Non-current assets classified as held for sale	5	-	2,859,592
Other assets	9	102,061	100,557
Total Current Assets		1,101,912	3,483,839
<i>Non-current Assets</i>			
Other financial assets	10	410,000	37,500
Property, plant & equipment	11	26,696	206,954
Intangible assets	12	4,898,958	22,143,968
Total Non-current Assets		5,335,654	22,388,422
Total Assets		6,437,566	25,872,261
LIABILITIES			
<i>Current Liabilities</i>			
Trade & other payables	13	534,461	990,304
Employee benefits	14	-	22,148
Deferred purchase consideration	31	-	1,835,862
Liabilities directly associated with non-current assets classified as held for sale	5	-	2,386,241
Other financial liabilities	15	227,410	45,266
Total Current Liabilities		761,871	5,279,821
<i>Non-current Liabilities</i>			
Other financial liabilities	31	-	190,891
Total Non-current Liabilities		-	190,891
Total Liabilities		761,871	5,470,712
Net Assets		5,675,695	20,401,549
EQUITY			
Issued capital	16	33,732,078	31,815,310
Reserves	17	4,750,874	1,833,783
Majority non-controlling interest reserve	17	(6,158,687)	(6,158,687)
Accumulated losses	18	(26,648,570)	(7,088,857)
Total Equity		5,675,695	20,401,549

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2013

Note	Issued Capital	Option Reserve	Reserves NCI	Accumulated Losses	Non-controlling Interests	Total
	\$	\$	\$	\$	\$	\$
Balance as at 30 June 2011	19,058,343	313,783	-	(5,787,564)	1,660,514	15,245,076
Total comprehensive loss for the year	-	-	-	(1,301,293)	(7,201)	(1,308,494)
<i>Transactions with Equity holders in their capacity as equity holders</i>						
De-recognise non-controlling interests purchase of 19% of LEI	-	-	1,653,313	-	(1,653,313)	-
Issue of shares on exercise with non-controlling interests	-	-	(7,812,000)	-	-	(7,812,000)
Shares issued net of issue costs	12,756,967	-	-	-	-	12,756,967
Share based payments	-	1,520,000	-	-	-	1,520,000
Balance as at 30 June 2012	31,815,310	1,833,783	(6,158,687)	(7,088,857)	-	20,401,549
Total comprehensive loss for the year	-	-	-	(19,559,713)	-	(19,559,713)
<i>Transactions with Equity holders in their capacity as equity holders</i>						
Shares issued net of issue costs	1,916,768	-	-	-	-	1,916,768
Options issued	-	2,917,091	-	-	-	2,917,091
Balance as at 30 June 2013	33,732,078	4,750,874	(6,158,687)	(26,648,570)	-	5,675,695

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASHFLOWS

For the year ended 30 June 2013

	Note	Consolidated	
		30 June 2013 \$AUD	30 June 2012 \$AUD
<i>Cash flows from operating activities</i>			
Receipts from customers		218,573	-
Payments to suppliers & employees		(2,739,302)	(2,983,513)
Interest received		8,511	39,509
Interest & other costs of finance paid		(30,000)	(47,981)
Receipt of R&D tax refund		149,330	59,276
Other grants received		84,103	-
Net cash flows used in operating activities	28	(2,308,785)	(2,932,709)
<i>Cash flows related to investing activities</i>			
Proceeds from sale of plant & equipment		742	-
Payment for purchase of plant & equipment		(3,156)	(118,693)
Loans to unrelated entities		-	(223,921)
Acquisition of subsidiary, net of cash required		-	3,920
Purchase of intellectual property		-	(400,680)
Net cash flows used in investing activities		(2,414)	(739,374)
<i>Cash flows related to financing activities</i>			
Proceeds from issues of equity securities		1,997,521	3,586,000
Capital raising costs		(167,997)	(336,942)
Proceeds from borrowings		400,000	-
Repayment of borrowings		(41,289)	(92,365)
Net cash flows from financing activities		2,188,235	3,156,693
Net increase / (decrease) in cash & cash equivalents		(122,964)	(515,390)
Cash & cash equivalents at the beginning of the year		446,113	961,503
Cash & cash equivalents at the end of the year		323,149	446,113

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of significant accounting policies

Corporate Information

The financial report of Consegna Group Limited and its subsidiaries (the "Group") for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the Directors on the 27th day of September 2013. The financial report is for the Group consisting of Consegna Group Limited and its subsidiaries.

Consegna Group Limited is a listed public company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange. The principal activity of the Group is the research, development and commercialisation of consumer and medical devices

Base of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards, required for a for-profit entity.

The financial report has been prepared on an accruals basis and is based on historical costs. The financial report is presented in Australian dollars, which is the Group's functional and presentation currency. All values are rounded to the nearest dollar unless otherwise stated.

Management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Going Concern

At 30 June 2013, the Group's cash and cash equivalents amounted to \$323,149 (2012: \$446,113) and for the year ended 30 June 2013, the Group experienced a loss of \$19,559,713 (2012: \$1,308,494) and a net cash outflow of \$122,964 (2012: \$515,390).

Note 1. (continued)

Based on current budget assumptions which have been updated to reflect the successful \$1 million capital raising completed in August 2013, the Group has sufficient funds to meet current commitments towards commercialising the BreatheAssist asset in the sporting market. Additional funds will need to be accessed, however in order to progress the commercialisation of BreatheAssist into other markets.

There are significant risks associated with product development and regulatory approvals required by biotechnology companies, it is difficult to predict the exact timing and quantum of income from the commercialisation of products and technology and there are inherent uncertainties involved in raising funds from investors within forecasted timelines.

As a result of these matters, there is material uncertainty that may cast significant doubt as to whether the Group will be able to continue as a going concern and realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Notwithstanding the material uncertainty pertaining to the ability of the Group to access additional capital, the financial statements have been prepared on a going concern basis. Accordingly the financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts, or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Statement of Compliance

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

Amendments to Australian Accounting Standards

The following amending Standards have been adopted from 1 July 2012. Adoption of these Standards did not have any effect on the financial position or performance of the Group:

Ref	Title	Summary
AASB 2010-8	Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes - Recovery of Revalued Non-Depreciable Assets into AASB 112.
AASB 2011-9	Amendments to Australian Accounting Standards - Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.

Other than the amended accounting standards listed above, all other accounting standards adopted by the Group are consistent with the most recent Annual Report for the year ended 30 June 2012.

Continued from Note 1.

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 Group for the annual reporting period ended 30 June 2013:

Reference	Title	Summary	Application date of standard	Impact on financial report	Application date
AASB 10	Consolidated Financial Statements	<p>AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation - Special Purpose Entities.</p> <p>The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.</p> <p>Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.</p>	1 Jan 2013	No Impact	1 July 2013
AASB 11	Joint Arrangements	<p>AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-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. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.</p> <p>Consequential amendments were also made to this and other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128.</p>	1 Jan 2013	No Impact	1 July 2013

Continued from Note 1.

Reference	Title	Summary	Application date of standard	Impact on financial report	Application date
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.	1 Jan 2013	No Impact	1 July 2013
AASB 13	Fair Value Measurement	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. Application of this definition may result in different fair values being determined for the relevant assets. 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. Consequential amendments were also made to other standards via AASB 2011-8.	1 Jan 2013	No Impact	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements. This includes rights of set-off associated with the entity's recognised financial assets and liabilities on the entity's financial position, when the offsetting criteria of AASB 132 are not all met.	1 Jan 2013	No Impact	1 July 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following: <ul style="list-style-type: none"> • Repeat application of AASB 1 is permitted (AASB 1) • Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements). 	1 Jan 2013	No Impact	1 July 2013

Continued from Note 1.

Reference	Title	Summary	Application date of standard	Impact on financial report	Application date
AASB 2012-9	Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039	AASB 2012-9 amends AASB 1048 Interpretation of Standards to evidence the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia.	1 Jan 2013	No Impact	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	1 July 2013	No Impact	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 Jan 2014	No impact	1 July 2014

Continued from Note 1.

Reference	Title	Summary	Application date of standard	Impact on financial report	Application date
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <p>(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</p> <p>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> • The change attributable to changes in credit risk are presented in other comprehensive income (OCI) • The remaining change is presented in profit or loss <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.</p> <p>Further amendments were made by AASB 2012-6 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p>	1 Jan 2015	The company is still determining if there will be any potential impact	1 July 2015

Continued from Note 1.

Accounting Policies

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

Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Consegna Group Ltd as at 30 June 2013 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholder of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealized profits/losses arising within the consolidated entity are eliminated in full. Investments in subsidiaries are accounted for at cost in the individual financial statements of Consegna Group Limited.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest - control of the right to receive the interest payment.

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all grant conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is expected to compensate.

Borrowing costs

Borrowing costs are expensed as incurred unless they relate to the construction of qualifying assets in which case they are capitalised.

Leases

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

Continued from Note 1.

Cash and cash equivalents

Cash and short-term deposits in the Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Consolidated Statement of Cashflows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment, once they become over due by more than 60 days. A separate account records the impairment.

An allowance for a doubtful debt is made when there is objective evidence that the Group will not be able to collect the debts. The criteria used to determine that there is objective evidence that an impairment loss has occurred include whether the Financial Asset is past due and whether there is any other information regarding increased credit risk associated with the Financial Asset. Bad debts which are known to be uncollectible are written off when identified.

Foreign currency translation

The functional currency of the Group is based on the primary economic environment in which the Group operates. The functional currency of the Group is Australian dollars.

Transactions in foreign currencies are converted to local currency at the rate of exchange at the date of the transaction.

Amounts payable to and by the Group outstanding at reporting date and denominated in foreign currencies have been converted to local currency using rates prevailing at the end of the financial year.

All exchange differences are taken to profit or loss.

Income tax

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

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting loss nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting loss nor taxable profit or loss.

Continued from Note 1.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Tax consolidation

Consegna Group Limited and all its wholly-owned Australian controlled entities are part of a tax consolidated group under Australian taxation law. Consegna Group Limited is the head entity in the tax-consolidated group. Consegna Group 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 standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Consegna Group 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 consolidated group.

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Consegna Group Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Assets or liabilities arising under this arrangement are recognised as amounts receivable from or payable to other entities in the Group amounts are determined by reference to amounts recognised in the financial records of members in the 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.

GST

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

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

Continued from Note 1.

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

Plant and equipment

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

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

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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the consolidated entity commencing from the time the asset is held ready for use. The depreciation rates used are: office equipment - 10%-33%; motor vehicle - 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. 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 the carrying amount. These gains and losses are included in the statement of comprehensive income.

Continued from Note 1.**Financial assets**

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

Held-to-maturity investments

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

If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Continued from Note 1.

Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. A financial asset or group of financial assets is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

Business combination

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 Consolidated Statement of Comprehensive Income.

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

Continued from Note 1.

Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amount of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and the consideration paid or received is recognised in a separate reserve within the equity attributable to owners of Consegna Group Limited.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- i. the consideration transferred;
- ii. any non-controlling interest; and
- iii. the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value uplifts in the value of pre-existing equity holdings are taken to the Consolidated Statement of Comprehensive Income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

Continued from Note 1.

Intangible assets other than Goodwill

Intangible assets are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in an accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

(i) Intellectual property

Intellectual property acquired as part of a business combination is recognised separately from goodwill. Intellectual property is carried at cost, which is its fair value at the date of acquisition less accumulated amortisation and impairment losses. Intellectual property is amortised over its useful life commencing from the completion of development. The Company will carry its Intellectual property at cost whilst it is under development and it is subject to annual impairment testing.

(ii) Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful lives.

(iii) Research and development

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

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

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Impairment of non-financial assets

The carrying values of non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Continued from Note 1.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffer an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

An impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

Trade and other payables

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Employee benefits

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave payments expected to be settled within 12 months of the reporting date are recognised in other provisions in respect of employees' service up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled, inclusive of on costs.

Borrowings

Borrowings are initially recognised at fair value, net of transaction 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 borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Continued from Note 1.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Share-based payment transactions

The Group provides benefits to employees (including Directors) of the Group in the form of share-based payment transactions, whereby employees are provided with long-term incentives through the Group's Employee Option Plan.

The cost of these transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial option pricing model, further details of which are given in note 30. The cost of these transactions is recognised, together with a corresponding increase in equity, over the period in which the options vest.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting dates reflects:

- (i) the extent to which the vesting period has expired, and;
- (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. No expense is recognised for awards that do not ultimately vest and an adjustment to the expense is made for awards that will no longer vest. This opinion is formed based on the best available information at balance date.

Issued Capital

Ordinary shares are classified as equity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction (net of tax) of the share proceeds received.

Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

Earnings per share

Basic earnings per share is calculated as net loss attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net loss attributable to members, adjusted for:

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

Continued from Note 1.

Parent information

The financial information for the parent entity, Consegna Group Limited, disclosed in Note 25 has been prepared on the same basis as the consolidated statements.

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 Consegna Group Limited. For the current and previous reporting periods, the Group operated in one segment, being the identification, acquisition and commercialisation of late stage therapeutic delivery technologies.

Assets (or disposal groups) held for sale and discontinued operations

Assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the asset (or disposal group) is recognised at the date of derecognition.

Assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Assets classified as held for sale and the assets of the disposal group classified as held for sale are presented separately from the other assets in the Consolidated Statement of Financial Position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Consolidated Statement of Financial Position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Consolidated Statement of Comprehensive Income.

Continued from Note 1.

Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

(i) Impairment of intangible assets

In the absence of readily available market prices, the recoverable amount of assets are determined using estimations of the present value of future cash flows using asset-specific discount rates. For patents, licenses and other rights, these estimates are based on various assumptions concerning for example future sales profiles and royalty income, market penetration, milestone achievement dates and production profiles. Refer to note 12 for further details.

(ii) Impairment of receivables

The decision whether or not to provide for the impairment of a receivable requires a degree of estimation and judgement. The level of provision is assessed by taking into account the ageing of receivables and specific knowledge of the individual debtor's financial position.

(iii) Share-based Payments

The value attributed to share options and remuneration shares issued is an estimate calculated using an appropriate mathematical formula based on an option pricing model. The choice of models and the resultant option value require assumptions to be made in relation to the likelihood and timing of the conversion of the options to shares and the value and volatility of the price of the underlying shares. Refer to note 30 for more details.

(iv) Acquisition Accounting

In accounting for the acquisitions made during the prior year, the Group had to make a number of judgements and estimates in determining the fair value of the amounts acquired and the purchase consideration paid/payable. Refer to note 31 for further details.

Note 2. Revenue

	Consolidated	
	30 June 2013 \$AUD	30 June 2012 \$AUD
Revenue		
Discount on acquisition due to bargain purchase	-	5,438,740
Other Income		
Interest received	8,511	39,508
Management services fee	201,017	-
Other	90,972	37,500
Total Other income	300,500	77,008
	300,500	5,515,748

Note 3. Expenses

	Consolidated	
	30 June 2013 \$AUD	30 June 2012 \$AUD
Profit / (loss) before income tax from continuing operations includes the following specific expenses:		
Depreciation		
Plant & equipment	7,430	15,172
Impairment		
Receivable	-	9,218
Intangible asset	10,093,525	-
Finance costs		
Finance costs expensed	212,482	166,575
Net foreign exchange loss		
Net foreign exchange (gain) / loss	7,202	5,060
Development costs	119,511	90,523
Share-based payments expense	1,745,660	720,000

Note 4. Income tax benefit

The Group has not commenced significant trading. At its current stage of operational development the Group is not in a position to satisfy the accounting criteria of AASB112: Income Taxes to bring to account the benefit of its tax losses. Accordingly no current or deferred income tax benefits have yet been brought to account.

	Consolidated	
	30 June 2013 \$AUD	30 June 2012 \$AUD
The prima facie tax on loss from ordinary activities before the loss is reconciled to the income tax as follows:		
Loss before income tax	(20,226,248)	(1,308,494)
Income tax benefit calculated at 30% (2012:30%)	(6,067,874)	(392,548)
<i>Tax effect of amounts which are not deductible in calculating income tax:</i>		
• impairment and amortisation expenses	3,336,308	-
• share-based payments expenses	523,698	456,000
• other expenses not deductible	(2,320)	42,423
Discount on acquisition	-	(1,631,622)
Other deductible items	(134,711)	(112,333)
Deferred tax assets relating to tax losses not recognised	3,011,434	1,697,356
Income tax reconciliation in Profit or Loss	666,535	59,276

Unrecognised Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

• Tax losses	6,301,501	3,247,993
• Accruals	33,958	31,970
• Employee provisions	-	10,104
Net deferred tax assets not recognised	6,335,459	3,290,067

Note 5. Assets & Liabilities Classified as Held for Sale/ Discontinued Operations

(a) Lingual Consegna Pty Ltd

As announced to the ASX on 1 May 2012, the Company agreed to sell its shareholding in Lingual Consegna Pty Ltd ("Lingual") to Imugene Limited ("IMU") in consideration of 100 million shares in IMU. The transaction was subsequently settled on 17 July 2012. Financial information relating to Lingual is set out below. The financial performance of the discontinued operations, which has been included in the loss per the Consolidated Statement of Comprehensive Income, is as follows:

	Consolidated	
	30 June 2013 \$AUD	30 June 2012 \$AUD
Revenue	-	-
Expense	-	(546,370)
Loss	-	(546,370)
Loss attributable to members of parent entity	-	(546,370)

The assets & liabilities of Lingual Consegna, which have been classified as disposal assets & related liabilities are as follows:

Assets

Intangibles - Intellectual Property	-	2,859,591
Cash & short term deposits	-	1
	-	2,859,592

Liabilities

Royalty Payable	-	2,386,241
	-	2,386,241

Net assets classified as held for sale	-	473,351
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Gain on Sale of Controlled Entity

A gain on sale of controlled entity was realised, calculated as follows:

Proceeds on sale of Lingual Consegna Ltd to Imugene Ltd being 100,000,000 fully paid shares in Imugene Ltd at \$0.14 per share (Imugene share price at 17 July 2012)	1,400,000	-
Carry value of investment in Lingual Consegna Pty Ltd	(1,019,737)	-
Lingual Accumulated Losses	546,369	-
Gain on Sale of Controlled Entity	926,632	-
Gain attributable to members of parent entity	926,632	-

Income tax expense attributable to gain on sale of controlled entity	(277,990)	-
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Cashflow of discontinued operations

Net cashflow used in operating activities	-	-
Net cashflow used in investing activities	-	-
Net cashflow used in financing activities	-	-
Net increased / (decrease) in cash from discontinued operations	-	-

Continued from Note 5.

(b) Aspen Medisys LLC

As announced to the ASX on 1 November 2012, the Company exercised its option to have the vendor of Aspen Medisys LLC ('Aspen') purchase Aspen back for a consideration of \$1.00. Financial information relating to Aspen is set out below. The financial performance of the discontinued operation, which has been included in the loss per the statement of comprehensive income, is as follows:

	Consolidated	
	30 June 2013 \$AUD	30 June 2012 \$AUD
Revenue	-	-
Expense	(50,748)	-
Loss	(50,748)	-
Loss attributable to members of parent entity	(50,748)	-
 <i>Write off loan to controlled entity on disposal</i>		
Due to the exercise of this option a loan from the Company to Aspen in the amount of \$46,828 was written off.		
<i>Loss on disposal of controlled entity</i>		
Due to the exercise of this option a loss on disposal of a controlled entity was realised, calculated as follows:		
• Sale Price	1	-
• Write-back of Deferred Purchase Consideration	1,885,753	-
• Write-off of Intellectual Property	(7,275,076)	-
• Property, Plant & Equipment	(83,132)	-
• Aspen Accumulated Losses	50,748	-
Loss on Disposal of Controlled Entity	(5,421,706)	-
Loss attributable to members of parent entity	(5,421,706)	-
Income tax benefit attributable to loss on disposal of controlled entity	1,626,512	-
 <i>Cashflow of discontinued operations</i>		
Net cashflow used in operating activities	-	-
Net cashflow used in investing activities	-	-
Net cashflow used in financing activities	-	-
Net increased / (decrease) in cash from discontinued operations	-	-

Note 6. Current assets - cash & cash equivalents

	Consolidated	
	30 June 2013 \$AUD	30 June 2012 \$AUD
Cash at bank	323,149	446,113
	323,149	446,113

Refer to note 19 for the effective interest rate.

Note 7. Current assets - trade & other receivables

	Consolidated	
	30 June 2013 \$AUD	30 June 2012 \$AUD
Trade receivables	-	9,218
Less: Provision for impairment of receivables		(9,218)
	-	-
R&D Tax Incentive	517,205	-
Other receivables	159,497	74,949
	676,702	74,949

Impairment of receivables

The consolidated entity has recognised a loss of \$0 (2012: \$9,218) in profit or loss in respect of impairment of receivables for the year ended 30 June 2013.

Movements in the provision for impairment of receivables are as follows:

• Opening balance	(9,218)	(125,000)
• Additional provisions recognised	-	(9,218)
• Receivables written off during the year as uncollectable	9,218	125,000
Closing balance	-	(9,218)

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$133,000 as at 30 June 2013 (\$nil as at 30 June 2012). No provision for impairment has been raised as the full amount is considered to be recoverable as the customer has agreed to a repayment plan.

Note 8. Current assets - inventories

	Consolidated	
	30 June 2013 \$AUD	30 June 2012 \$AUD
Finished goods	-	2,628
	-	2,628

Note 9. Current assets - other

	Consolidated	
	30 June 2013 \$AUD	30 June 2012 \$AUD
Prepayments	95,151	100,557
Other	6,910	-
	102,061	100,557

Note 10. Other financial assets

	Consolidated	
	30 June 2013 \$AUD	30 June 2012 \$AUD
Investment at fair value through profit or loss (a)	410,000	37,500
	410,000	37,500

(a) Represents shares held in Imugene Limited (IMU) and Laconia Resources Limited with change in fair value recognised in profit or loss. The company has formed the view that it does not have significant influence over IMU and has accounted for its interest in accordance with AASB 139. IMU is considered to be a related party by virtue of the Company's shareholding in IMU.

Note 11. Non-current assets - property, plant & equipment

	Consolidated	
	30 June 2013 \$AUD	30 June 2012 \$AUD
Plant & equipment - at cost	37,035	284,168
Less: Accumulated depreciation	(10,339)	(77,214)
	26,696	206,954

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Plant & Equipment \$AUD
Balance at 1 July 2011	20,299
Additions	118,699
Additions via acquisition of subsidiary	83,133
Depreciation expense	(15,177)
Balance at 30 June 2012	206,954
Disposals	(89,695)
Disposals via disposal of subsidiary	(83,133)
Depreciation expense	(7,430)
Balance at 30 June 2013	26,696

Note 12. Non-current assets - intangibles

	Consolidated	
	30 June 2013 \$AUD	30 June 2012 \$AUD
Goodwill		
At cost	4,951,995	4,951,995
Less impairment	(3,386,991)	-
Net carrying value	1,556,004	4,951,995
Development		
At cost	474,270	350,680
Less impairment	(213,576)	-
Net carrying value	260,694	350,680
Intellectual Property		
At cost	9,566,217	16,841,293
Less impairment	(6,492,957)	-
Net carrying value	3,073,260	16,841,293
Total Intangible Assets	4,898,958	22,143,968

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Goodwill \$	Develop- ment \$	Intellectual Property \$	Total \$
Balance at 1 July 2011	4,951,995	-	9,566,217	14,518,212
Additions - internal development	-	350,680	-	350,680
Additions by acquisition (Linguet)	-	-	2,859,591	2,859,951
Reclassified to disposal assets	-	-	(2,859,591)	(2,859,951)
Acquisitions by business combination (Aspen)	-	-	7,275,076	7,275,076
Balance at 30 June 2012	4,951,995	350,680	16,841,293	22,143,968
Additions - internal development	-	123,590	-	123,590
Disposal of Aspen Medisys	-	-	(7,275,076)	(7,275,076)
Impairment of assets	(3,386,991)	(213,576)	(6,492,957)	(10,093,525)
Balance at 30 June 2013	1,565,004	260,694	3,073,260	4,898,958

Continued from Note 12.

Impairment of Intangibles

The Directors conducted an impairment review of the Group's intangible assets and concluded that an impairment charge of \$10,093,525 is necessary. The Directors have assessed that IP and development costs have an indefinite life until they are commercialised. They, together with goodwill have been subject to an impairment test whereby the recoverable amount was compared to their written down value. Recoverable amount has been determined by the Board by preparing a value in use calculation using cashflow projections over the expected product life of the related IP being 3 years. The cashflows were discounted using a pre-tax discount rate ranging between 10% and 30% (2012: 15%-18%) at the beginning of the projection period. The budget reflected the Board's best estimate of the product's expected market share and the Group's revenue stream from selling into the sporting market. Gross profit was determined taking into account expected cost structures as well as estimated inflation rates over the period. A reasonably possible change in the discount rate would not lead to an impairment of the intangible assets.

Note 13. Current liabilities - trade and other payables

	Consolidated	
	30 June 2013 \$AUD	30 June 2012 \$AUD
Unsecured		
Trade payables	409,130	861,562
Other payables (i)	125,331	128,742
	534,461	990,304

(i) Refer to note 24 for related parties' amounts owing.

Note 14. Current liabilities - provisions

	Consolidated	
	30 June 2013 \$AUD	30 June 2012 \$AUD
Employee benefits	-	22,148
	-	22,148

Note 15. Other financial liability

	Consolidated	
	30 June 2013 \$AUD	30 June 2012 \$AUD
Lind Partners convertible security (i)	175,000	-
Other interest bearing liabilities	52,410	45,266
	227,410	45,266

Continued from Note 15.

(i) On 13 July 2012, the Group executed a Share Purchase and Convertible Security Agreement (“Agreement”) with the Australian Special Opportunity Fund, LP, which is managed by the Lind Partners, LLC (together, “Lind”) a New York based alternative asset management company. The Agreement provides Consegna with a funding facility as follows:

- › The issue of ordinary shares of Consegna of up to \$5,275,000 with monthly drawdowns over 24 months, at a minimum rate of \$75,000 per month. The price at which shares will be issued is 90% of the average of the 3 consecutive daily Volume Weighted Average Prices (“VWAPs”) during a specific period prior to the issuance of shares. (The Company may elect not to issue shares if the issue price would be less than an agreed floor price).
- › Consegna has issued an unsecured convertible security to Lind with a face value of \$400,000 and a term of 24 months at a zero % interest rate. The conversion price at which shares will be issued under the convertible security is 90% of the average of the 3 consecutive daily VWAPs during a specific period prior to the issuance of shares. The face value of this convertible security was reduced by \$225,000 to \$175,000 during the year with partial conversions as follows:
 - i. 19 September 2012: \$50,000 representing 5,000,000 shares (pre-consolidation) at \$0.01
 - ii. 31 January 2013: \$75,000 representing 37,500,000 shares (pre-consolidation) at \$0.002
 - iii. 28 June 2013: \$100,000 representing 7,142,857 (post-consolidation) shares at \$0.014

Subsequent to the end of the financial year, on 8 July 2013, the convertible security was reduced to \$nil with the conversion of \$175,000 representing 12,500,000 (post-consolidation) shares @ \$0.01.

- › Lind has been granted 10,000,000 options exercisable at \$0.0236 which is 120% of the VWAP per share for the 20 consecutive trading days immediately prior to the date of the execution of the Agreement. These options are valued at \$173,600 as per the binomial valuation method and were accounted for as an equity settled share based payment.

Note 16. Equity - issued capital

	Consolidated		Consolidated	
	30 June 2013 Shares	30 June 2012 Shares	30 June 2013 \$AUD	30 June 2012 \$AUD
Ordinary Shares - fully paid	293,752,461	948,811,605	33,732,708	31,815,310
<i>Movement in ordinary shares on issue</i>				
At 1 July	949,811,605	502,191,134	31,815,310	19,058,343
16/08/2011 issued for services @ \$0.03		7,733,333		232,000
16/08/2011 issued for services @ \$0.03		16,900,000		507,000
08/09/2011 private placement @ \$0.02		44,900,000		898,000
04/11/2011 acquisition of LInguet IP @ \$0.03		1,370,000		41,100
16/11/2011 exercise of options @ \$0.025		3,800,000		95,000
23/11/2011 exercise of options @ \$0.025		7,500,000		187,500
15/12/2011 issued for services @ \$0.02		6,820,000		136,400
21/12/2011 private placement @ \$0.025		24,520,000		613,000
13/01/2012 exercise of options @ \$0.025		650,000		16,250
13/01/2012 exercise of options @ \$0.035		1,500,000		52,500
17/01/2012 issued for services @ \$0.038		2,500,000		95,000
17/01/2012 issued for services @ \$0.04		2,500,000		100,000
17/01/2012 issued for services @ \$0.029		1,465,138		42,489
25/01/2012 private placement @ \$0.04		37,500,000		1,500,000
05/03/2012 private placement @ \$0.04		3,500,000		140,000
05/03/2012 issued for services @ \$0.04		2,000,000		80,000
05/03/2012 exercise of options @ \$0.025		750,000		18,750
20/03/2012 exercise of options @ \$0.035		500,000		17,500
20/03/2012 exercise of options @ \$0.025		1,900,000		47,500
20/03/2012 issued for services @ \$0.035		2,062,000		72,170
16/04/2012 exercise of LEI call option 1 @ \$0.032		126,000,000		4,032,000
18/04/2012 exercise of LEI call option 1 @ \$0.03		126,000,000		3,780,000
01/05/2012 termination of call option @ \$0.03		25,000,000		382,250
10/05/2012 issued for services @ \$0.03		250,000		7,500
Less cost of capital raising at 30 June 2012				(336,942)
04/07/2012 Aspen Medisys deposit @ \$0.01774	7,948,140		141,000	
13/07/2012 Lind Partners commitment fee @ \$0.0197	8,869,180		175,000	
20/07/2012 private placement @ \$0.017	14,705,882		250,000	
20/07/2012 loan conversion @ \$0.025	2,480,000		62,000	
20/07/2012 issued for services @ \$0.021	1,155,440		24,264	
15/08/2012 Lind Partners private placement @ \$0.013	7,692,308		100,000	
17/08/2012 issued for services @ \$0.017	3,000,000		51,000	
14/09/2012 issued for services @ \$0.012	6,500,000		78,000	

Continued from Note 16.

		Consolidated		Consolidated	
		30 June 2013 Shares	30 June 2012 Shares	30 June 2013 \$AUD	30 June 2012 \$AUD
19/09/2012	Lind Partners private placement @ \$0.01	7,500,000		75,000	
19/09/2012	Lind Partners convertible security @ \$0.01	5,000,000		50,000	
19/10/2012	Lind Partners private placement @ \$0.01	10,000,000		100,000	
19/10/2012	issued for services @ \$0.012	13,500,000		162,000	
23/11/2012	Lind Partners private placement @ \$0.008	12,500,000		100,000	
24/12/2012	private placement @ \$0.004	76,800,000		307,200	
24/12/2012	issued for services @ \$0.00848	12,500,000		106,000	
25/01/2013	private placement @ \$0.004	38,200,000		152,800	
31/01/2013	Lind Partners private placement @ \$0.002	37,500,000		75,000	
31/01/2013	Lind Partners convertible security @ \$0.002	37,500,000		75,000	
18/02/2013	share purchase plan @ \$0.004	109,875,000		439,500	
23/02/2013	private placement @ \$0.004	48,310,000		193,240	
02/04/2013	issued for services @ \$0.004	16,500,000		66,000	
02/04/2013	issued for services @ \$0.025	3,200,000		80,000	
Share on issue pre consolidation		1,431,047,555			
10/04/2013	shares consolidated on 1 for 5 basis	286,209,604			
31/05/2013	issued for services @ \$0.03	400,000		12,000	
26/06/2013	Lind Partners convertible security @ \$0.014	7,142,857		100,000	
<i>Less costs of capital raising at 30 June 2013</i>				<i>(1,058,236)</i>	
		293,752,461	949,811,605	\$33,732,078	\$31,815,310

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is conducted otherwise each shareholder has one vote on a show of hands.

Note 17. Equity - reserves

	Consolidated	
	30 June 2013 \$AUD	30 June 2012 \$AUD
Option reserve	4,750,574	1,833,783
Non-controlling interest reserve	(6,158,687)	(6,158,687)
	(1,407,813)	(4,324,904)

	Option Reserve \$AUD	NCI Reserve \$AUD	Total \$AUD
Balance at 1 July 2011	313,783	-	313,783
Share based payments	1,520,000	-	1,520,000
Transaction with non-controlling interest	-	(6,158,687)	(6,158,687)
Balance as at 30 June 2012	1,833,783	(6,158,687)	(4,324,904)
Share based payments	2,536,891	-	2,536,891
Options issued under options rights issue	380,200	-	380,100
Balance as at 30 June 2013	4,750,874	(6,158,687)	(1,407,813)

The Option Reserve is used to record the expense associated with the valuation of options. The NCI Reserve is used to record adjustments arising from transactions with non-controlling interests.

Movement in options was as follows:

	Consolidated			
	2013		2012	
	No.	Weighted average price \$	No.	Weighted average price \$
Balance at 1 July	171,486,667	0.044	31,000,000	0.047
Options issued (pre 1:5 consolidation)	483,980,750	0.013	159,086,667	0.044
Option exercised	-	-	(16,600,000)	0.026
Options lapsed / expired (pre-consolidation)	(13,666,667)	0.035	(2,000,000)	0.200
Balance pre 1:5 consolidation	641,800,750	0.021	171,486,667	0.044
Balance post 1:5 consolidation *	128,360,150	0.105		
Options issued (post 1:5 consolidation)	95,400,000	0.060		
Options lapsed / expired (post 1:5 consolidation)	(800,000)	1.000		
Balance at 30 June	222,960,150	0.083		

* Following shareholder approval on 28 March 2013, the Company consolidated its share capital on a 1:5 basis effective 10 April 2013.

Note 18. Equity - accumulated losses

	Consolidated	
	30 June 2013 \$AUD	30 June 2012 \$AUD
Accumulated losses at the beginning of the financial year	(7,088,857)	(5,787,564)
Loss after income tax expense for the year	(19,559,713)	(1,301,293)
Accumulated losses at the end of the financial year	(26,648,570)	(7,088,857)

Note 19. Financial instruments, risk management objectives and policies

(a) Financial Instruments

The Group's financial instruments are detailed below:

	Consolidated	
	30 June 2013 \$AUD	30 June 2012 \$AUD
Cash and cash equivalents	323,149	446,113
Trade and other receivables	159,497	74,949
Other financial assets	410,000	37,500
Trade and other payables	534,461	990,304
Deferred purchase consideration	-	2,026,753
Interest bearing liabilities	227,407	45,266

The Group did not have any derivative instruments at 30 June 2013 and 30 June 2012.

(b) Risk Management Policy

The Board is responsible for overseeing the establishment and implementation of the risk management system, and reviews and assesses the effectiveness of the Company's implementation of that system on a regular basis.

The Board and Senior Management identify the general areas of risk and their impact on the activities of the Group, with Management performing a regular review of:

- › the major risks that occur within the business;
- › the degree of risk involved;
- › the current approach to managing the risk; and
- › if appropriate, determine:
 - » any inadequacies of the current approach; and
 - » possible new approaches that more efficiently and effectively address the risk.

Management reports risks identified to the Board through the monthly Operations Report.

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

Continued from Note 19.

(c) Significant accounting policy

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis for measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables represents their fair values determined in accordance with the accounting policies disclosed in note 1.

Interest revenue on cash and cash equivalents and foreign exchange movements on trade and other receivables and trade and other payables are disclosed in notes 2 and 3.

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder's value. In order to maintain or achieve an optimal capital structure, the Group may issue new shares or reduce its capital, subject to the provisions of the Group's constitution. The capital structure of the Group consists of equity attributed to equity holders of the Group, comprising contributed equity, reserves and accumulated losses disclosed in notes 16 and 17. By monitoring undiscounted cash flow forecasts and actual cash flows provided to the Board by the Group's Management the Board monitors the need to raise additional equity from the equity markets.

(e) Financial risk management

The main risks the Company is exposed to through its operations are interest rate risk, foreign exchange risk, credit risk and liquidity risk.

Interest rate risk

The Group is exposed to interest rate risks via the cash and cash equivalents that it holds. Interest rate risk is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates.

The objective of managing interest rate risk is to minimise the Group's exposure to fluctuations in interest rate that might impact its interest revenue and cash flow.

Price risk

The Group is exposed to security price risk which is the risk that a change in the value of the equity will impact on the Group's net results or net assets position on investments as outlined in Note 10. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Foreign exchange risk

Exposure to foreign exchange risk has been reduced with the disposal of Aspen Medisys and the Group's exposure is assessed to be insignificant.

Continued from Note 19.

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss for the Group. The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. Risk is also managed by investing surplus funds in financial institutions that maintain a high credit rating.

The maximum exposure to credit risk by class of financial assets at the end of the reporting period, including the value of any collateral or other security held is equivalent to the carrying value and classification of those financial assets (net of any provision) as presented in the Consolidated Statement of Financial Position.

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk as follows:

- › preparation of cashflow analyses related to its operating, investing and financing activities;
- › monitoring undrawn credit facility;
- › obtaining funding from a variety of sources;
- › managing credit risk related to financial assets; and
- › investing surplus funds with reputable financial institutions.

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

2013	Weighted Average Effective Interest Rate %	Floating Interest Rate \$AUD	Non Interest Bearing \$AUD	Fixed Interest Bearing \$AUD	Total \$AUD
Financial Assets:					
Cash & cash equivalents	.99	323,149	-	-	323,149
Other financial assets		-	410,000	-	410,000
Trade & other receivables		-	159,497	-	159,497
Total Financial Assets		323,149	569,497	-	892,646
Financial Liabilities:					
Trade & other payables		-	534,461	-	534,461
Interest bearing liabilities		-	-	227,410	227,410
Total financial liabilities		-	534,461	227,410	761,871
Net financial assets / (Liabilities)		323,149	35,036	(227,410)	130,775

Continued from Note 19.

2012	Weighted Average Effective Interest Rate %	Floating Interest Rate \$AUD	Non Interest Bearing \$AUD	Fixed Interest Bearing \$AUD	Total \$AUD
Financial Assets:					
Cash & cash equivalents	3.5	446,113	-	-	446,113
Other financial assets		-	37,500	-	37,500
Trade & other receivables		-	74,949	-	74,949
Total Financial Assets		446,113	112,449	-	558,562
Financial Liabilities:					
Trade & other payables		-	990,304	-	990,304
Deferred purchase consideration		-	2,026,753	-	2,026,753
Interest bearing liabilities	9.82	-	-	45,266	45,266
Total financial liabilities		-	3,017,057	45,266	3,062,323
Net financial assets / (Liabilities)		446,113	(2,904,608)	(45,266)	(2,503,761)

continued from Note 19

Maturity profile:

	Carrying Amount		Contractual Cash Flow		Within 1 Year		1 - 5 Years		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets:										
Cash & cash equivalents	323,149	446,113	323,149	446,113	323,149	446,113	-	-	323,149	446,113
Other financial assets	410,000	37,500	410,000	37,500	410,000	37,500	-	-	410,000	37,500
Trade & other receivables	159,497	74,949	159,497	74,949	159,497	74,949	-	-	159,497	74,949
Total financial assets	892,646	558,562	892,646	558,562	892,646	558,562	-	-	892,646	558,562
Financial liabilities:										
Interest bearing liabilities	227,410	45,266	227,410	45,266	227,410	45,266	-	-	227,410	45,266
Deferred purchase consideration	-	2,026,753	-	2,026,753	-	1,835,862	-	190,891	-	2,026,753
Trade & other payables	534,461	990,304	534,461	990,304	534,461	990,304	-	-	534,461	990,304
Total financial liabilities	761,871	3,062,323	761,871	3,062,323	761,871	2,871,432	-	190,891	761,871	3,062,323

Net Fair Values

The Directors consider that the carrying amount of financial assets and liabilities recorded in the financial statements approximate their fair value.

Financial Instruments measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- > quoted prices in active markets for identical assets or liabilities (Level 1);
- > inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- > inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

In 2013 and 2012, none of the Group's assets and liabilities except for the deferred purchase consideration and other financial assets had their fair value determined using the fair value hierarchy. The deferred purchase consideration liability was determined as a level 3 instrument, while other financial assets are classified as level 1 instruments. The value of the loss in 2012 recognised from revaluing the liability was \$103,362. This amount was included in other expenses in the Consolidated Statement of Comprehensive Income. No transfers between the levels of the fair value hierarchy occurred during the current or previous years.

Continued from Note 19.

Sensitivity analysis

The following table illustrates sensitivities to the Group's exposures to change in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

2013	Interest rate risk				Other price risk			
	-1% Net result	-1% Equity	1% Net result	1% Equity	-5% Net result	-5% Equity	5% Net result	5% Equity
Cash	323,149	(3,231)	3,231	3,231	-	-	-	-
Other financial assets	410,000	-	-	-	(20,800)	(20,800)	20,800	20,800
Total increase / (decrease)	(3,231)	(3,231)	3,231	3,231	(20,800)	(20,800)	20,800	20,800
2012	Interest rate risk				Other price risk			
	-1% Net result	-1% Equity	1% Net result	1% Equity	-5% Net result	-5% Equity	5% Net result	5% Equity
Cash	446,113	(4,461)	4,461	4,461	-	-	-	-
Other financial assets	37,500	-	-	-	(1,875)	(1,875)	1,875	1,875
Total increase / (decrease)	(4,461)	(4,461)	4,461	4,461	(1,875)	(1,875)	1,875	1,875

Note 20. Key management personnel disclosures

Details of Key Management Personnel

Directors

- › Martin Rogers – Non-Executive Chairman (appointed 3 September 2012)
- › Fabio Pannuti – Executive Chairman (resigned 1 February 2013)
- › Michael Johnson – Executive Director (appointed 1 February 2013)
- › Lord Simon Reading – Non-Executive Director
- › Rod Tomlinson – Non-Executive Director (resigned 3 September 2012)
- › Brendan Fleiter – Non-Executive Director (resigned 26 November 2012)

Executives

- › Andrew Ellem – Chief Financial Officer (resigned 24 December 2012)
- › Justyn Stedwell – Joint Company Secretary
- › Phillip Hains – Joint Company Secretary & Chief Financial Officer (appointed 24 December 2012)
- › Dr Nicholas Ede – Chief Technical Officer (resigned 24 January 2013)

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	30 June 2013	30 June 2012
	\$AUD	\$AUD
Short term employee benefits	747,285	748,982
Post employee benefits	-	-
Long term benefits	-	-
Share based payments	1,811,660	920,000
	2,558,945	1,668,982

continued from Note 20

Shareholding

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Balance at date of appointment	Received as part of remuneration	Additions pre-consolidation	Disposals/ other	Balance at date of resignation	Balance pre-consolidation 10/04/2013	Balance consolidated 1:5 basis	Additions post-consolidation	Disposals post-consolidation	Balance at the end of the year
2013											
Ordinary shares											
Phillip Hains	-	-	16,500,000	3,750,000	-	-	20,250,000	4,050,000	3,600,000	(3,300,000)	4,350,000
Michael Johnson	-	12,500	-	3,750,000	-	-	3,762,500	752,500	119,999	-	872,499
Fabio Pannuti	74,312,763	-	-	-	-	74,312,763	-	-	-	-	-
Lord Simon Reading	-	-	-	-	-	-	-	-	-	-	-
Martin Rogers	-	3,000,000	-	7,500,000	-	-	10,500,000	2,100,000	-	-	2,100,000
Justyn Stedwell	-	-	-	-	-	-	-	-	-	-	-
Rod Tomlinson	24,434,488	-	-	-	-	24,434,488	-	-	-	-	-
	98,747,251	3,012,500	16,500,000	15,000,000	-	98,747,251	34,512,500	6,902,500	3,719,999	(3,300,000)	7,322,499
2012											
Ordinary shares											
Peter Abrahamson	5,069,040	-	-	-	-	5,069,040	-	-	-	-	-
Fabio Pannuti	36,859,135	-	-	37,453,628	-	n/a	-	-	-	-	74,312,763
Rod Tomlinson	12,119,507	-	-	12,314,981	-	n/a	-	-	-	-	24,434,488
	54,047,682	-	-	49,768,609	-	5,069,040	-	-	-	-	98,747,251

continued from Note 20

Option holding

The number of options over ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Balance at date of appointment	Granted & vested	Exercised	Expired/forfeited	Balance at date of resignation	Balance pre-consolidation 10/04/2013	Balance consolidated 1:5 basis	Additions post-consolidation	Balance at the end of the year
2013										
Options over ordinary shares										
Phillip Hains	-	-	50,000,000	-	-	-	50,000,000	10,000,000	1,350,000	11,350,000
Michael Johnson	-	5,000,000	150,000,000	-	-	-	155,000,000	31,000,000	273,056	31,273,056
Fabio Pannuti	20,000,000	-	-	-	-	20,000,000	-	-	-	-
Lord Simon Reading	-	-	50,000,000	-	-	-	50,000,000	10,000,000	-	10,000,000
Martin Rogers	-	3,000,000	120,000,000	-	-	-	123,000,000	24,600,000	700,000	25,300,000
Justyn Stedwell	5,000,000	-	-	-	-	-	5,000,000	1,000,000	-	1,000,000
Rod Tomlinson	10,000,000	-	-	-	-	10,000,000	-	-	-	-
	35,000,000	8,000,000	370,000,000	-	-	30,000,000	383,000,000	76,600,000	2,323,056	78,923,056
2012										
Options over ordinary shares										
Peter Abrahamson	4,000,000	-	10,000,000	-	-	14,000,000	-	-	-	-
Fabio Pannuti	-	-	20,000,000	-	-	-	-	-	-	20,000,000
Justyn Stedwell	-	-	5,000,000	-	-	-	-	-	-	5,000,000
Rod Tomlinson	-	-	10,000,000	-	-	-	-	-	-	10,000,000
	4,000,000	-	45,000,000	-	-	14,000,000	-	-	-	35,000,000

*all options fully vested and exercisable at the end of the year.

There have been no other transactions involving equity instruments other than those disclosed in the tables above.

Related party transactions

Related party transactions are set out in note 24.

Note 21. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by HLB Mann Judd and its network firms, the auditor of the company.

	Consolidated	
	30 June 2013 \$AUD	30 June 2012 \$AUD
<i>Audit services - HLB Mann Judd</i>		
Audit or review of the financial statements	41,327	55,820
<i>Other services - HLB Mann Judd</i>		
Preparation of multiple tax returns	55,637	-
	96,964	55,820

Note 22. Commitments

	Consolidated	
	30 June 2013 \$AUD	30 June 2012 \$AUD
<i>Other expenditure commitments</i>		
Commitments contracted for at balance date but not recognised as liabilities are as follows:		
• Within one year	182,825	-
• After one year but not more than five years	226,756	-
• More than five years	-	-
	409,581	-

Note 23. Contingent assets/liabilities

There are no known significant liabilities or contingent assets as at the date of this report, other than those disclosed in this financial report.

Note 24. Related party transactions

Parent entity

Consegna Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 26.

Key management personnel

Disclosures relating to key management personnel are set out in note 20 and the remuneration report in the directors' report.

Continued from Note 24.

		Consolidated	
		30 June 2013 \$AUD	30 June 2012 \$AUD
Transactions with related parties			
The following transactions occurred with related parties:			
Payment for goods & services * :			
• Cogentum Limited	i	86,567	-
• Inverness Group Holdings Pty Ltd	ii	168,019	176,661
• MV Anderson & Co	iii	9,500	83,852
• The CFO Solution	iv	-	-

* excludes cash salaries and directors fees which are disclosed in note 20.

Provision of goods and services:

• Imugene Limited	v	201,017	-
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Provision of Convertible Loan Facility:

The company executed a Share Purchase and Convertible Security Agreement with Australian Special Opportunity Fund, LP, which is managed by Lind Partners, LLC of which Mr Martin Rogers is an advisor during the period. Refer to note 15 for details.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

		Consolidated	
		30 June 2013 \$AUD	30 June 2012 \$AUD
<i>Current (payables) / receivables:</i>			
• Cogentum Limited	i	(25,604)	-
• Inverness Group Holdings Pty Ltd	ii	-	(5,461)
• MV Anderson & Co	iii	(10,230)	(24,200)
• Boden Corporate Services		-	(18,024)
• Imugene Limited	v	(5,721)	-

Loans to / from related parties

There were no loans to or from related parties at the current and previous reporting date.

Continued from Note 24.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Notes:

- i. Cogentum Pty Limited, a company associated with Mr Michael Johnson, provided consulting services to the Group during the year.
- ii. Inverness Group Holdings, a company associated with Mr Fabio Pannuti, provided corporate consulting, administration and executive marketing services, office premises in Melbourne, and office equipment to the Group during the year. Inverness was paid fees for the provision of executive marketing services of \$48,178 provided by employees of Inverness and \$119,921 for the provision of the office premises, office equipment and reimbursement of travel expenses.
- iii. Andrew Ellem, a partner of MV Anderson & Co was Chief Financial Officer of the company until 24 December 2012. MV Anderson were engaged by the company to provide taxation, corporate and business advisory services on a normal commercial fee for services basis. Some of the partners of MV Anderson own shares in Leading Edge Instruments Ltd as a consequence own shares in the company.
- iv. All amounts paid to the CFO Solution, of which Mr Phillip Hains is the principal are disclosed in note 20.
- v. Imugene Limited (IMU) is considered to be a related party by virtue of the Company's shareholding in IMU. During the year, the company provided management services to IMU.

Note 25. Parent entity information

Set out below is the supplementary information about the parent entity.

	Parent	
	30 June 2013 \$AUD	30 June 2012 \$AUD
<i>Statement of profit or loss and other comprehensive income</i>		
Income / (Loss) after income tax	(10,022,142)	(681,428)
Total comprehensive income / (loss)	(10,022,142)	(681,428)
<i>Statement of financial position</i>		
Total current assets	2,043,858	1,719,428
Total assets	22,715,179	30,455,346
Total current liabilities	429,692	2,945,822
Total liabilities	429,682	3,044,566
Equity		
Issued capital	33,732,478	31,815,310
Reserves:		
• Share based payments	4,750,474	1,833,783
• Accumulated losses	(16,260,455)	(6,238,313)
Total equity	22,222,497	27,410,780

Continued from Note 25.

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity has not entered into any guarantees in the current or prior financial year in relation to debts of its subsidiaries.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1.

Note 26. Subsidiaries

The consolidated financial statements include the financial statements of the Company and the following subsidiaries:

Name of entity	Country of Incorporation	Equity holding	
		2013 %	2012 %
Helicon (Asia) Pty Ltd	Australia	100	100
Helicon (China) Pty Ltd	Australia	100	100
Helicon (Korea) Pty Ltd	Australia	100	100
Helicon International Limited	Australia	100	100
Leading Edge Instruments Pty Ltd (LEI)	Australia	100	100
Subsidiaries of LEI:			
• Vibrovein Pty Ltd	Australia	100	100
• ASAP BreatheAssist Pty Ltd	Australia	100	100
Lingual Consegna Pty Ltd	Australia	-	100
Aspen Medisys LLC	USA	-	100
Consegna Management Services Limited	United Kingdom	100	100
Breatheassist Limited	United Kingdom	100	100

All shares held in subsidiaries represent ordinary shares and the voting rights are equal to the ownership percentage.

Note 27. Events after the reporting period

On 8 July 2013, the convertible security under the funding facility with the Australian Special Opportunity Fund, LP which is managed by Lind Partners, LLC was reduced to \$nil with the conversion of \$175,000 representing 12,500,000 (post-consolidation) shares @ \$0.01.

On 21 August 2013 the Company announced the completion of a private placement of 25,000,000 shares at \$0.04 per share raising \$1,000,000 before costs. In addition, and subject to shareholder approval at the Company's 2013 Annual General Meeting, the Company will issue one free attaching option for each four shares subscribed for under the placement. The options will have an exercise price of \$0.06 and an expiry date of 30 April 2017.

On 17 September 2013, the Company reduced its shareholding in Imugene Limited via the sale of 75,000,000 shares.

Note 28. Reconciliation of net loss after income tax to net cash from operating activities

	Consolidated	
	30 June 2013 \$AUD	30 June 2012 \$AUD
Loss after income tax expense for the year	(19,559,713)	(1,308,494)
<i>Adjustments for:</i>		
Depreciation & amortisation	7,430	15,172
Impairment of receivables	-	9,218
Impairment of intangible assets	10,093,525	-
Loss on disposal of controlled entities	5,421,706	-
Gain on sale of controlled entities	(926,632)	-
Write-off loan to controlled entities on disposal	46,828	-
Bad debt recovery	2,619	(37,500)
Inventory write-off	2,628	-
Loss on sale of fixed assets	34,536	-
Discount on acquisition of bargain purchase	-	(5,438,740)
Discount expenses	-	103,363
Share based payments	1,745,660	1,520,000
Settlement of payables via shares	935,264	1,364,925
Fair value of adjustment of investments	1,027,500	-
Foreign exchange adjustments	3,771	-
Other	(102,210)	26,228
Change in operating assets & liabilities:		
• (increase) / decrease in trade & other receivables	(601,753)	108,078
• (increase) in inventories	-	(2,629)
• (increase) / decrease in other current assets	38,047	(95,547)
• (decrease) / increase in current payables & accruals	(477,991)	803,218
Net cash from operating activities	(2,308,785)	(2,932,709)

Non-cash financing activities

During the year, the Group settled the convertible note liabilities via the issue of shares as outlined in note 15.

Note 29. Earning per share

	Consolidated	
	30 June 2013 \$AUD	30 June 2012 \$AUD
Reconciliation of earnings to profit / (loss):		
Loss	(19,559,713)	(1,308,494)
Loss attributable to non-controlling interest		(7,201)
	(19,559,713)	(1,301,293)
<i>Loss from continuing operations:</i>		
Loss attributable to non-controlling interest		(7,201)
	(14,967,083)	(762,124)
	(14,967,083)	(754,293)
Basic earnings / (loss) per share (cents) from continuing operations	(0.063)	(0.056)
<i>Loss from discontinued operations:</i>		
Loss attributed to non-controlling interest		-
	(4,592,650)	(546,370)
	(4,592,650)	(546,370)
Basic earning / (loss) per share (cents) from discontinued operations	(0.019)	(0.041)
Weighted average number of ordinary shares outstanding during the year used to calculate basic and diluted EPS. *	238,601,459	132,558,219

* Following shareholder approval on 28 March 2013, the Company consolidated its share capital on a 1:5 basis effective 10 April 2013. The post consolidation shares have been used for the purpose of calculating the basic and diluted earnings per share as required by paragraph 64 of AASB 133.

Note 30. Share based payments

(a) On 13 July 2012, 10,000,000 unlisted share options were granted to and vested in The Australian Special Opportunity Fund, LP as a commencement fee for the Lind Partners Funding Agreement. The options are exercisable at \$0.0236 each on or before 17 July 2015. The options hold no voting or dividend rights and are not transferrable.

The fair value of these options was \$0.01736. These values were calculated using a binomial probability option pricing applying the following inputs:

Exercise price:	\$0.0236
Life of the option:	3 years
Expected share price volatility:	113.4%
Risk-free interest rate:	2.21%

Historical Volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements. The life of the options is based on historical exercise patterns, which may not eventuate in the future. Included under Finance costs in the Consolidated Statement of Comprehensive Income is \$173,600 which relates to equity-settled share-based payment transactions.

Continued from Note 30.

- (b) On 20 July 2012, 20,000,000 unlisted share options were granted to Exertus Capital Pty Ltd as a corporate services fee. The options are exercisable at \$0.030 on or before 28 February 2015. The options hold no voting or dividend rights and are not transferrable.

The fair value of these options was \$0.001159. These values were calculated using a binomial probability option pricing model applying the following inputs:

Exercise price:	\$0.030
Life of the option:	2.6 years
Expected share price volatility:	114.2%
Risk-free interest rate:	2.29%

Historical Volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements. The life of the options is based on historical exercise patterns, which may not eventuate in the future. Included under Capital Raising Costs in the Consolidated Statement of Changes in Equity is \$231,800 which relates to equity-settled share-based payment transactions.

- (c) On 3 April 2013, 90,000,000 unlisted share options were granted to Directors and consultants following shareholders' approval. The options are exercisable at \$0.060 on or before 30 April 2017. The options hold no voting or dividend rights and are not transferrable.

The fair value of these options was \$0.02359. These values were calculated using a binomial probability option pricing model applying the following inputs:

Exercise price:	\$0.060
Life of the option:	4.14 years
Expected share price volatility:	110%
Risk-free interest rate:	2.88%

Historical Volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements. The life of the options is based on historical exercise patterns, which may not eventuate in the future. Included under Capital Raising Costs in the Consolidated Statement of Changes in Equity is \$377,400 which relates to equity-settled share-based payment transactions. A further \$1,745,700 is included in the Consolidated Statement of Profit or Loss as Share Based Payments representing payments to Directors and consultants.

- (d) On 3 April 2013, 3,980,750 unlisted share options were granted to Golden Five Limited for payment of promotional fees. The options are exercisable at \$0.20 on or before 11 May 2015. The options hold no voting or dividend rights and are not transferrable.

The fair value of these options was \$0.01054. These values were calculated using a binomial probability option pricing model applying the following inputs:

Exercise price:	\$0.020
Life of the option:	2.14 years
Expected share price volatility:	123%
Risk-free interest rate:	2.84%

Historical Volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements. The life of the options is based on historical exercise patterns, which may not eventuate in the future. Included under promotional fees in the Consolidated Statement of Profit or Loss is \$8,391 which relates to equity-settled share-based payment transactions.

Continued from Note 30.

Set out below are summaries of options granted under employee share scheme option plan which was established to provide ongoing incentive to reward employees and consultants for their contributions to the Group's performance:

Grant date	Expiry Date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ Forfeited	Balance pre-consolidation 10/04/13	Balance consolidated 1:5 basis	Adjusted exercise price	Acquired post-consolidation	Balance at the end of the year
2013											
29/11/2011	07/12/2014	\$0.05	20,000,000	-	-	-	20,000,000	4,000,000	\$0.25	-	4,000,000
29/11/2011	07/12/2014	\$0.10	20,000,000	-	-	-	20,000,000	4,000,000	\$0.50	-	4,000,000
23/12/2011	31/12/2014	\$0.045	30,000,000	-	-	-	30,000,000	6,000,000	\$0.225	-	6,000,000
13/07/2012	31/07/2015	\$0.0236	-	10,000,000	-	-	10,000,000	2,000,000	\$0.12	-	2,000,000
20/07/2012	28/02/2015	\$0.03	-	20,000,000	-	-	20,000,000	4,000,000	\$0.15	-	4,000,000
03/04/2013	30/04/2017	\$0.012	-	450,000,000	-	-	450,000,000	90,000,000	\$0.06	-	90,000,000
03/04/2013	11/05/2015	\$0.04	-	3,980,750	-	-	3,980,750	796,150	\$0.20	-	796,150
			70,000,000	483,980,750	-	-	553,980,750	110,796,150		-	110,796,150
			Weighted average exercise price: \$0.097								
2012											
29/11/2011	07/12/2014	\$0.05	-	20,000,000	-	-	n/a	n/a	n/a	n/a	20,000,000
29/11/2011	07/12/2014	\$0.10	-	20,000,000	-	-	n/a	n/a	n/a	n/a	20,000,000
23/12/2011	31/12/2014	\$0.045	-	30,000,000	-	-	n/a	n/a	n/a	n/a	30,000,000
			-	70,000,000	-	-	n/a	n/a	n/a	n/a	70,000,000
			Weighted average exercise price: \$0.075								

Continued from Note 30.

Set out below are the options issued under the employee share option plan that are exercisable at the end of the financial year:

Grant date	Expiry Date	2013 Number	2012 Number *
29/11/2011	07/12/2014	4,000,000	
29/11/2011	07/12/2014	4,000,000	
23/12/2011	31/12/2014	6,000,000	
13/07/2012	31/07/2015	2,000,000	
20/07/2012	28/02/2015	4,000,000	
03/04/2013	30/07/2017	90,000,000	
03/04/2013	11/05/2015	796,150	
29/11/2011	07/12/2014		4,000,000
29/11/2011	07/12/2014		4,000,000
23/12/11	31/12/2014		6,000,000
Total exercisable		110,796,150	14,000,000

* adjusted post 1:5 consolidation

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price *	Expected volatility	Risk-free interest rate	Fair value at grant date
13/07/2012	31/07/2015	\$0.125*	\$0.12	1	0.0221	173,600
20/07/2012	28/02/2015	\$0.10*	\$0.15	1	0.0229	231,800
03/04/2013	30/07/2017	\$0.04	\$0.06	1	0.0288	1,745,700
03/04/2013	11/05/2015	\$0.04	\$0.20	1	0.0284	8,391

* adjusted post 1:5 consolidation

Note 31. Business Combinations

Aspen MediSys LLC (2012)

On 22 December 2011, the company settled on the acquisition of 100% of the voting shares of Aspen MediSys LLC ("Aspen"). Aspen is an unlisted company, based in the United States of America, with a technology that centres on the use of heated nano particles to treat tumours without damaging surrounding tissue to animals and humans (being Aspen targeted markets). The Group acquired Aspen to expand its suite of innovative medical technologies. The acquisition of Aspen resulted in the recognition of IP totalling approximately \$7.275 million.

The initial accounting for the acquisition of Aspen MediSys LLC has only been provisionally determined at the end of the reporting period using the following key factors.

Purchase consideration

The purchase consideration for the purchase of 100% of the shares in Aspen included a nominal upfront payment of \$1, followed by performance and time dependant milestone payments to be made in the form of fully paid ordinary shares in the company. The Performance Milestones are as follows:

- › Tranche 1 – Issue of shares equal to \$1,410,000 based on the weighted average trading price for the 5 days period immediately preceding the date of calculation (referred to as "VWAP"). Shares are to be issued on 1 July 2012 or such date earlier as may be nominated, in writing, by the company at its sole discretion. This Tranche has been extended to 31 October 2012 due to some IP transfers being delayed;
- › Tranche 2 – Issue of shares equal to \$940,000 based on VWAP. The shares are to be issued immediately preceding the successful closing and submission of a final study report of a safety and efficacy study in animals of Aspen's technology to be conducted at the University of California;
- › Tranche 3 – Issue of shares equal to \$470,000 based on VWAP. The shares are to be issued on completion of the first commercial sale of a product incorporating the Aspen's technology;
- › Tranche 4 - Issue of shares equal to \$470,000 based on VWAP. The shares are to be issued when the cumulative sales of a product incorporating Aspen's technology attain at least \$10 million.

Continued from Note 31.

On the acquisition date the directors made a number of key judgements and assumptions to determine the fair value of the consideration paid/payable for the purchase of Aspen. These key judgements and assumptions are summarised below:

Payment	Contract amount \$	Expected timing	Probability	Discount rate	Fair value
Cash	1	Not applicable	Not applicable	Not applicable	1
Tranche 1	1,410,000	30 June 2012	100%	25%	1,261,528
Tranche 2	940,000	30 June 2013	70%	25%	470,970
Tranche 3	470,000	1 June 2014	49%	25%	131,831
Tranche 4	470,000	30 June 2016	34%	25%	59,061
Total	3,290,001				1,923,391

As at 30 June 2012, the fair value of the liability was adjusted to \$2,026,753 and the movement was recognised in profit or loss.

Fair value of Aspen

Methodologies and Assumptions

In complying with the requirements of AASB 3, the Board necessarily had to determine the provisional fair value of the assets and liabilities of Aspen and the following key judgements and assumptions were made. The acquisition date fair value of Aspen was preliminary and may be adjusted as a result of obtaining additional legal clarification as to IP registrations held by Aspen.

Animal business

The provisional fair value of the Animal Business was calculated using a discounted cash flow model incorporating the following key assumptions:

- › 70% probability of achieving cash flow forecasts;
- › Sales of product based on the Animal Business to commence by 30 June 2014; and
- › Discount rate of 25% applied;

Human business

The provisional fair value of the Human Business was calculated based on the market value of two peer companies (scenario A and scenario B) holding similar technology and using it for similar purposes. Key assumptions applied were as follows:

Assumptions	Scenario A	Scenario B
Market value of technology	\$249.81 million	\$30.618 million
Probability of matching	10%	33%
Time required to achieve outcome	6 years	3.5 years
Discount rate	25%	25%

Continued from Note 31.

Discount on acquisition

The Group accounted for this acquisition at fair market values of the identifiable assets and liabilities of Aspen, which resulted in the recognition of a discount on acquisition.

As a result, the Group recognised a discount on acquisition in the consolidated statement of comprehensive income of \$5,438,740 being the difference between the fair value of the consideration of \$1,923,391 and the provisional fair value of the assets and liabilities acquired of \$7,362,131 as outline below.

The Board believes that the bargain purchase was achieved due to the vendors having insufficient capital to bring Aspen's technology to a stage of commercialisation.

Business combination Aspen Medisys LLC 22 December 2011	Fair value recognised on acquisition
Current assets	
Cash at bank	3,944
Total current assets	3,944
Non current assets	
Intellectual property - Thermotherapy technology	7,275,053
Plant & equipment	133,014
Acc Dep	(49,880)
Total non current assets	7,358,187
Total assets	7,362,131
Total liabilities	-
Net assets	7,362,131
Interest acquired	
Present value of purchase consideration	1,923,391
Discount on acquisition	5,438,740

Acquisition related costs of \$45,167 were included in other expenses in the 2012 Statement of Comprehensive Income. Directly attributable costs of raising equity have been included as a deduction from equity.

No deferred tax liability was recognised in respect of the IP recognised from this acquisition as the value of carried forward tax losses as at 31 December 2011 totalled approximately \$6.879 million (or resulted in deferred tax assets of \$2.063 million), was sufficient to offset the estimated deferred tax liability of approximately \$1.631 million.

Discontinued Operation

On 1 November 2012, the company exercised its option to have the vendor of Aspen purchase back Aspen for a consideration of \$1.00. Refer to note 5(b) for details.

Note 32. Segment Reporting

The Group has operated in one segment, being the identification, acquisition and commercialisation of late stage therapeutic delivery technologies. The segment details are therefore fully reflected in the body of the financial report.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors,



Michael Johnson
Director

27 September 2013
Melbourne

Independent Auditor's Report to the Members of Consegna Group Limited Report on the Financial Report

We have audited the accompanying financial report of Consegna Group Limited ("Consegna" or "the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the Group. The Group comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

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

HLB Mann Judd (VIC Partnership)

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Auditor's Opinion

In our opinion:

- (a) the financial report of Consegna Group Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a).

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the Group incurred a loss of \$19.599 million (2012: loss of \$1.301 million) and experienced a drop in its cash balance by \$122,963 during the year (2012: a drop of \$515,390). Those conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Consegna Group Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*



HLB Mann Judd
Chartered Accountants

Melbourne
27 September 2013



Jude Lau
Partner

Shareholder Information

The shareholder information set out below was applicable as at 30 September 2013.

Number of holders of equity securities

Ordinary shares

331,252,461 fully paid ordinary shares are held by 1,187 individual holders. All ordinary shares carry one vote per share.

Distribution of ordinary fully paid shares	Ordinary shares		
	Holding Ranges	No. of holders	Total units
	1 - 1,000	26	4,791
	1,001 - 5,000	159	450,002
	5,001 - 10,000	95	818,978
	10,001 - 100,000	469	21,278,117
	100,001 +	438	308,700,573
	Totals	1,187	331,252,461
	Unmarketable parcels	289	1,371,021

Twenty largest ordinary full paid shareholders

	Holder name	Number	%
1	National Nominees Ltd	19,320,000	5.83
2	Professional Payment SVCS	8,569,000	2.59
3	HSBC Custody Nominees Aust Ltd	8,004,355	2.42
4	MHBIAT Pty Ltd	7,500,000	2.26
5	Celtic Cap Pty Ltd	6,935,000	2.09
6	AJG Pty Ltd	6,632,645	2.00
7	Stiction Pty Ltd	5,307,643	1.60
8	Maryanka, P	5,200,140	1.57
9	Peterson, J + L	5,082,054	1.53
10	Ozpharma Pty Ltd	5,000,000	1.51
11	Bainpro Nominees Pty Ltd	4,885,000	1.47
12	O'Brien, Gerard A + H M	4,531,263	1.37
13	Gordon Family Super Pty Ltd	4,000,000	1.21
14	Maurie, Ian Barrie	3,900,000	1.18
15	Darlingfield Pty Ltd	3,698,991	1.12
16	Shared Office Services Pty Ltd	3,550,000	1.07
17	Philip George Investments Pty Ltd	3,459,058	1.04
18	Pink Investments Pty Ltd	3,351,071	1.01
19	Strother Grazing Co Pty Ltd	3,240,000	0.98
20	Gebhardt, Peter L + C J	3,050,000	0.92
	Total of top 20 shareholders	115,216,220	34.77
	Total balance of remaining shareholders	216,036,241	65.23
	Total issued capital	331,252,461	100.00

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
National Nominees Ltd	19,320,000
Total number of shares held by substantial shareholders	19,320,000



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