



Solagran Limited

Solagran Limited
ACN 002 592 396
Level 11
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Melbourne 3004
Victoria
Australia
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24 October, 2003

Company Announcement Annual Report 2003

The Directors of Solagran Limited are pleased to release the printed version of the Solagran Limited Annual Report 2003. The Annual General Meeting of members is scheduled for 3:00pm on Friday 28 November, 2003 at the Webb Room, Hotel Charsfield, 478 St Kilda Road, Melbourne.

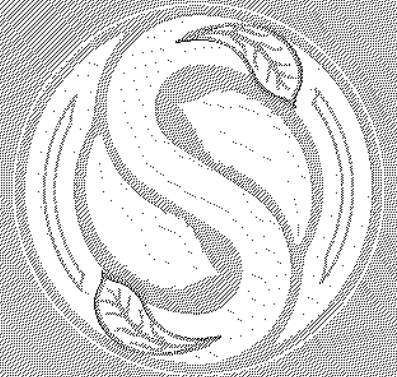
Peter Stedwell
Director

Solagran Limited

Solagran Limited is an Australian company founded in 1995 with the objective of commercialising the results of a research and development program that commenced in Russia in the 1930s, and which has continued, uninterrupted, until the present day. The focus of the research program has been the extraction and utilisation of the live elements of tree foliage. Solagran has collectively trademarked these substances using the term Bioeffectives[®].

Solagran's technology permits it to obtain many different Bioeffectives from tree and plant sources. One of the highest value Bioeffectives is a class of organic substances known as polyprenols. Polyprenols are naturally occurring analogues of dolichol, which is found in all of the vital organs of the human body, and which plays an essential role in cell metabolism and in supporting the immune system.

Solagran has committed significant resources to the development and testing of Bioeffective R – a Bioeffective comprising polyprenols. Initial indications suggest Bioeffective R may have a very positive impact on damaged liver cells – particularly in patients suffering from hepatitis, cirrhosis and other chronic liver conditions.



Solagram



Solagram
Limited | Annual Report 2003



Solagran Limited ACN 002 592 396

For the benefit of humanity

Over seventy years of ongoing Russian research in Forest Biochemistry has seen significant scientific developments based on an early recognition that the content of living tree cells is very different from that of non-living or structural cells.

Living cells are filled with protoplasm, which has a complex chemical structure containing many biologically and chemically active components.

A number of these active components are life-forming substances and have been identified and named *Bioeffectives*®.

Bioeffectives are galenical and contain substances analogous to those occurring naturally in the blood, brain, soft tissue and skin.

Solagran Limited owns the intellectual property associated with *Bioeffectives* and controls the production of *Bioeffectives*.

The use of *Bioeffectives* has the potential to revolutionise the way we treat many illnesses and to change traditional medical attitudes to the ageing process.

Corporate Directory

Directors

Dr Vagif Sultanyov – Executive Chairman

Mr Denis Kilroy

Mr Peter Stedwell

Mr Geoffrey Vincent

Company Secretary

Mr Peter Stedwell

Registered Office

Level 11, 492 St Kilda Road

Melbourne Vic, 3004

Telephone

61 3 9820 2600

Facsimile

61 3 9820 3155

Share Registry

Computershare Investor Services Pty Ltd

Level 2, Reserve Bank Building

45 St George's Terrace

Perth WA, 6000

Auditor

Horwath Perth Partnership

128 Hay Street

Subiaco WA, 6008

Bankers

National Australia Bank

271 Collins Street

Melbourne Vic, 3000

Lawyers

Wisewoulds Lawyers

Level 26, 459 Collins Street

Melbourne Vic, 3000

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Solagran securities are listed on the Australian Stock Exchange



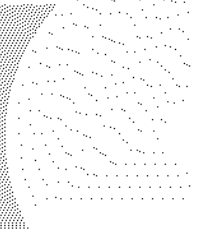
ASX CODES

SLA - ordinary shares

SLACA - contributing shares

SLAOA - options (expiring 30/11/2004)

SLAOB - options (expiring 30/06/2004)



A Message from the Executive Chairman



Dear Shareholders

The financial year ended 30 June, 2003 has seen significant changes in the structure and direction of our company.

Travelshop Limited had previously operated a retail and internet-based travel business. The reasons for the decision to close that business and move into a venture more likely to provide a positive return to shareholders have been well documented.

After obtaining approval at a meeting of shareholders in January, 2003 Travelshop acquired (in a reverse takeover) the biomedical business of Solagran Limited. As part of this process, shareholders agreed to change the name of the company from Travelshop Limited to Solagran Limited. The script-based acquisition was completed by purchasing the issued capital of Solagran (which has since been renamed Solathera Limited). The securities of the company were re-listed on the Australian Stock Exchange in August, 2003.

Solagran now has unique, patent protected processes for production of natural therapeutic products for human health and other applications, as well as access to intellectual property resulting from leading edge Russian chemical and medical research programs.

Our company's primary objective is to commercialise the results of a R&D program that began in Russia in the 1930s, and has continued, uninterrupted, until the present day. The focus of the research program has been the extraction and utilisation of "live elements" of tree foliage. Solagran has collectively trademarked these life-forming substances as *Bioeffectives*[®].

One of the most promising is *Bioeffective R*, a member of the polyprenols group. Polyprenols are naturally occurring analogues of dolichols, found in all of the vital organs of the human body, and which play an essential role in cell metabolism and in supporting the immune system.

Solagran has committed significant resources to the development, testing and trials of *Bioeffective R*. Initial results suggest *Bioeffective R* may have a very positive impact on damaged liver cells – particularly in patients suffering from hepatitis, cirrhosis and other chronic liver conditions.

On behalf of the Board of Directors, I would like to express our gratitude to Solagran's dedicated teams, both in Australia and Russia, for the progress made in this financial year.

I would also like to take this opportunity to thank you, our shareholders, for your continued support during this period of significant change for the company.

Dr Vagif Soultanov
Executive Chairman

Solagran and Bioeffectives



Solagran and Bioeffectives

Solagran plans to commercialise a series of substances collectively trademarked as *Bioeffectives*®.

Bioeffectives are biologically active galenical substances obtained using specialised technology for their isolation as balanced, synergistic, therapeutic complexes.

The primary applications of *Bioeffectives* are as active substances and value-adding ingredients for human and veterinary pharmaceuticals, nutritional products, cosmetics, personal care and agricultural products.

Bioeffectives are the result of an extensive research program that has been underway for more than 70 years at the St Petersburg Forest Technical Academy ("the Academy"). The Academy was founded in 1803 and is the birthplace of Forest Biochemistry – the science of extraction, identification and utilisation of "live elements" of trees. The Academy remains the world leader in this field.

Solagran draws its name from the two scientists who pioneered the science of Forest Biochemistry in the 1930s – Professor Fyodor **Solodky** and Dr Asney **Agranat**.

Solagran owns all the intellectual property associated with the *Bioeffectives* developed by the Academy, including patents for technological processes, formulations and applications. Additionally, Solagran is developing new products, can improve existing products and has the right of first refusal for all research undertaken by the Academy in this field.

Solagran's patented, waste-free extraction technology can be tuned to most any plant or tree source, including American, Asian and Australian species.

The Solagran business model involves controlling the use of existing *Bioeffectives*, funding the development of new *Bioeffectives*, and the formation of strategic partnerships to enable participation in selected markets.

Background to the Development of Bioeffectives

Pine trees have long played a part in traditional medicine throughout the world. Their extracts have been used as natural disinfectants and treatments for skin and respiratory conditions. Even the tradition of the Christmas Tree has its origins in the use of a pine tree to clean the air and prevent the spread of colds and flu during long European winters.

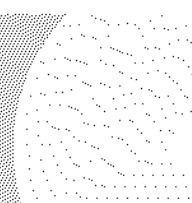
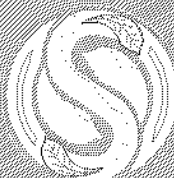
Pine and fir trees native to Russia and Northern Europe remain evergreen and disease resistant in temperatures ranging from less than – 45 °C in winter to more than 40 °C in summer. This property drew the attention of Professor Solodky during the 1920s. In the early 1930s he established the world's first applied laboratory for the study of "live elements" of trees at the Academy. In so doing, he became the founder of Forest Biochemistry. Soon after, Solodky and Agranat isolated *Bioeffective A* – the first substance in the *Bioeffectives* family. A rich source of essential vitamins, *Bioeffective A* was rationed to the population of St Petersburg during the 900 days that it lay under siege from the German army.

The population of the city lived on a daily ration of 125 grams of bread. In the later days of the siege, this ration was decreased to 75 grams per day. The bread was made primarily from sawdust enriched with special food-grade cellulose and a bioactive vitamin rich green-needle extract. The cellulose was developed at the Academy by Professor V. Sharkov, while the extract was produced by Solodky, Agranat and their team. The people's daily food ration also included one glass of water infused with the same *Bioeffective* extract, which contained six times the vitamin C found in citrus fruit such as oranges and lemons, helping thousands avoid scurvy. Throughout World War II, *Bioeffective A* was also used to treat burns, wounds and frostbite, as well as to accelerate tissue and skin regeneration following surgery.

The survival of the city of St Petersburg, and hundreds of thousands of its citizens, was due in part to the work of these brilliant scientists. Under the most difficult conditions imaginable, they gave birth to a new science of Forest Biochemistry.

After the war, the research direction expanded. Successful trials led to *Bioeffective A* being embraced in Russia as a wide-spectrum natural antimicrobial preparation with powerful burn and wound healing properties. Newly developed *Bioeffectives* underwent extensive testing and trials at prestigious Russian and European institutions, and several *Bioeffectives* were entered into the Russian and Eastern European Pharmacopoeias.

Dr Vagif Soultanov, Solagran's Executive Chairman, came to Australia in 1990 to work with the CSIRO as part of an inter-governmental scientific exchange program. The leader of the Academy's *Bioeffectives* research in the 1980s, Dr Soultanov established Solagran in 1995 to commercialise *Bioeffectives* and to fund the ongoing R&D program.





While Solodky died in 1970 and Agrinat in 1992, the research program they initiated over 70 years ago continues uninterrupted to the present day. In the new millennium the science of Forest Biochemistry, led by Professor Victor Roshchin, has reached a completely different level, expanding far beyond the foundations of Solodky and Agrinat's work.

Professor Roshchin's team at the Academy, Dr Valeria Nekrasova's team in Russia, as well as Dr Soultanov's R&D team in Australia are helping Solagran bring many unique, natural therapeutic products to the world.

Applications of Bioeffectives

The five main *Bioeffectives* can be classified by their properties and indications:

Substance	OTC/Nutritional	Ethical	Cosmetics / Personal Care	Veterinary
<i>Bioeffective A</i>	Anti-bacterial Anti-inflammatory Antioxidant	Radiation ulcers Gastitis	Skin protector Skin reparative	Fasciitis Anti-stress agent Growth promolant
<i>Bioeffective N</i>	Cold sores Anti-inflammatory Deodoriser	Haemabogenic Herpes Simplex & Zoster Periodontitis	Strengthens capillaries Improves circulation	Haemabogenic Anti-viral
<i>Bioeffective V</i>	Anti-bacterial Anti-fungal Antioxidant	Onco-protector Anti-metastatic Anti-fungal	Multi-vitamin Anti-inflammatory Antioxidant	Multi-vitamin Topical antiparasitic Growth promolant
<i>Bioeffective S</i>	Anti-microbial Anti-inflammatory Thrush	Anti-microbial Antiseptic Anti-viral	Anti-microbial Anti-inflammatory	Topical anti-microbial Topical anti-inflammatory
<i>Bioeffective R</i>	Burns treatment Adaptogen	Immuno-modulator Chronic Hepatitis Disseminated Sclerosis	Tissue regenerative Anti-inflammatory Cellular metabolism	Anti-stress agent Growth promolant Immuno-modulator

Bioeffective R and its Analogues

As illustrated in the above table, there are many therapeutic applications of *Bioeffectives*. Solagran is currently funding further research and clinical trials into therapeutic properties of *Bioeffective R*, with a special focus on the compound's promising hepatoprotective activity.

Properties in Brief

Bioeffective R is a compound of the polyprenols group. Polyprenols are naturally occurring analogues of dolichols, contained in all vital organs of the human body. Dolichols play a vital role in protecting cellular membranes, stabilising cell proteins and supporting the body's immune system. They also act as coenzymes in the synthesis of polysaccharides and in protein-carbohydrate metabolism. A natural analogue of dolichols, *Bioeffective R*, is a powerful immuno-modulator, spermatogenic, anti-ulcerant and tissue regenerative. Trials have shown *Bioeffective R* to be practically non-toxic, non-allergenic and non-irritant.

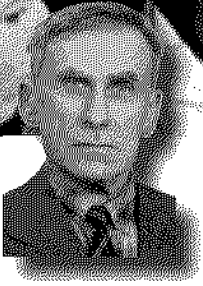
Over the last 20 years, scientific interest in polyprenols has been growing, with an emerging body of research from Russia, Europe, Japan and China showing polyprenols to be very promising therapeutic compounds. However, given the complexities of the underlying production technology and the low yields, availability is limited to analytical quantities. This makes the final product very expensive, with market costs ranging up to \$150,000 per gram.

In contrast, Solagran's patented technology allows for production of polyprenols from plant sources - in commercial quantities, higher purity and at a fraction of this cost.

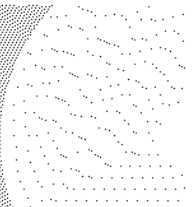
Trials undertaken to date demonstrate the following potential therapeutic applications for *Bioeffective R*:

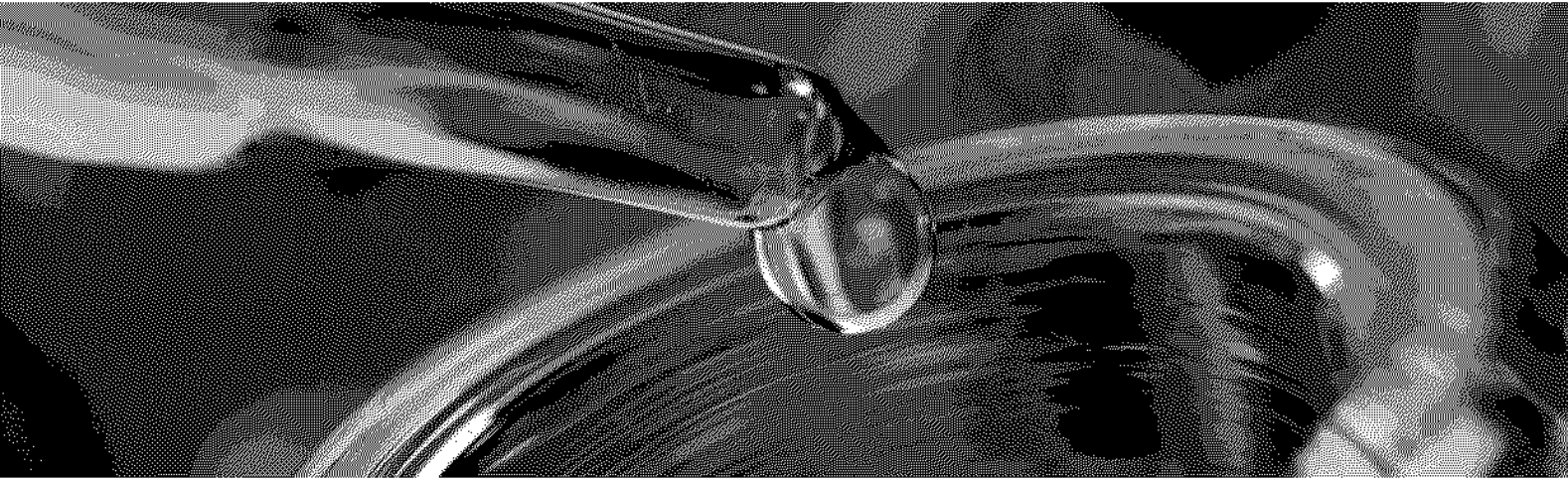
- Treatment for serious and chronic liver conditions
- Immunoregulator / adaptogen
- Treatment for disseminated sclerosis (MS)
- Anti-ulcerative and anti-inflammatory
- Androprotective / spermatogenic
- Tissue regenerative

Solagran's clinical trials program is directly linked with the Company's commercialisation objectives, the global shift to original evidence-based medicine and our intrinsic goal to improve the health and wellbeing of mankind.



...Soloaky...





Directors' Report →



Directors' Report

The Directors present their report on the consolidated entity consisting of Solagran Limited ("the Company") and the controlled entity (Solathera Limited) for the year ended 30 June, 2003.

Directors

The following persons are Directors of Solagran Limited at the date of this report:

- > Mr Denis Kilroy
- > Dr Vagif Soultanov
- > Mr Peter Stedwell
- > Mr Geoffrey Vincent

- Mr Peter Stedwell was a Director during the whole of the financial year and up to the date of this report.
- Mr Markus Mair was a Director for the whole of the financial year and resigned on 8 August, 2003.
- Mr Robert Nichevich was a Director from the beginning of the financial year until his resignation on 10 January, 2003.
- Mr Patrick Harford was appointed a Director on 30 December, 2002 and resigned on 13 August, 2003.
- Mr Geoffrey Vincent was appointed a Director on 30 December, 2002 and continues in office at the date of this report.
- Dr Vagif Soultanov was appointed a Director on 18 June, 2003 and continues in office at the date of this report.
- Mr Denis Kilroy was appointed a Director on 25 August, 2003 and continues in office at the date of this report.

Principal Activities

The principal activity of the Company during the year was the closure of the retail and internet-based travel business (Zoolander Pty Ltd) and the acquisition of the paid up capital of Solathera Limited, a biomedical research company.

Dividends

The Directors recommend that no dividend be paid. No amounts have been paid as dividends since the beginning of the financial year.

Review of Operations

In the financial year ended 30 June, 2003 the Company completed the closure of its retail and internet-based travel business.

A fundraising of \$657,918 completed in November, 2002 provided the funding to enable the eventual acquisition of the paid up capital of Solathera Limited – a biomedical company.

The Company changed its name to Solagran Limited and is committed to the development of its patent protected *Bioeffectives*® technology.

Significant Changes in the State of Affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were:

- a) The Directors completed a settlement with the Travel Compensation Fund that included the surrender of the Travel Agents License, held by its wholly owned subsidiary Zoolander Pty Ltd. The Company completed the closure of its retail and internet-based travel business operated by Zoolander Pty Ltd.
- b) The Company completed a fundraising of \$657,918 in November, 2002.
- c) A meeting of shareholders held on 14 January, 2003 approved a number of resolutions that restructured the share capital; approved the acquisition of the paid up capital of Solagran Limited (ACN 085 675 323); changed the Company name and approved the issue of the shares and options.
- d) On 4 February, 2003 the Company (Travelshop Limited ACN 002 592 396) changed its name to Solagran Limited, as approved by the shareholders.
- e) A Replacement Prospectus was issued on 14 February, 2003. A Supplementary Prospectus was issued on 18 June, 2003.
- f) The acquisition of the paid up capital of Solathera Limited (previously Solagran Limited ACN 085 675 323) was acquired for the issue of 42,500,000 fully paid ordinary shares and 25,000,000 \$0.20 contributing shares as paid to \$0.01.

Matters Subsequent to the End of the Financial Year

- a) Zoolander Pty Ltd was placed into liquidation in July 2003.
- b) Mr Denis Kilroy was appointed as a Director of Solagran Limited.
- c) Mr Patrick Harford and Mr Markus Mair resigned as Directors of Solagran Limited.
- d) A new website for Solagran Limited was launched (www.solagran.com).
- e) After completing an issue of securities based on the Replacement Prospectus (dated 14 February, 2003) and a Supplementary Prospectus (dated 18 June, 2003) the securities of the Company were quoted by ASX on 13 August, 2003.



Likely Developments and Expected Results of Operations

Solagran plans to continue the development and testing of *Bioeffective R* which is giving promising results in the treatment of liver disease. The Company will continue to search for opportunities to develop markets for *Bioeffectives* as active or value-adding ingredients. At this stage of its development the Company is committed to funding and completing the research program for *Bioeffective R* before formulating any revenue or profit forecasts.

Environmental Regulation

The consolidated entity is not subject to any environmental regulations within Australia.

Information on Directors

Dr Vagif Soultanov

Executive Chairman

Vagif is the founder of Solagran and was the leader of the *Bioeffectives* research team in St Petersburg in the 1980's. He is a scientist and a medical practitioner who came to Australia in 1990 to work with the CSIRO as part of an inter-governmental scientific exchange program. Vagif holds doctoral qualifications in organic chemistry and biochemistry. He has published over 60 scientific papers in Russia and internationally and holds a number of patents.

Mr Geoffrey Vincent

Non-executive Director & Deputy Chairman

Geoffrey is a graduate of University of Melbourne and a Chartered Accountant with significant experience in senior corporate financial positions. He has been Director and Chief Financial Officer of Eastern Energy, Texas Utilities Australia, BTR Nylex, State Bank Victoria, Black & Decker and Monsanto Australia.

Mr Denis Kilroy

Non-executive Director & Strategic Advisor

Denis is the founder and Managing Director of the KBA Consulting Group, and MFV Software Pty Ltd. He has been a strategy consultant for nearly 20 years. In the mid 1980's he played a key role in establishing LEK's Australian and New Zealand practices. In the early 1990's he became the first Australian to be elected partner with Marakon Associates, the US-based consulting firm that pioneered Value Based Management in the USA, Europe and Australia. Denis holds Bachelor of Engineering and Master of Engineering Science degrees from the University of New South Wales.

Mr Peter Stedwell

Executive Director & Company Secretary

Peter is a graduate of University of Melbourne and has extensive corporate experience in Finance Director and Company Secretarial roles. He has been Finance Manager and Company Secretary of a multinational pharmaceutical company.

Meetings of Directors

The number of meetings of the Company's Board of Directors held during the year ended 30 June, 2003 and the number of meetings attended by each Director who held office during the financial year were:

	Meetings this Year Held whilst a Director	Meetings Attended
Mr R. Nichevich	3	3
Mr G. Vincent	4	4
Mr P. Stedwell	4	1

Results

The consolidated net loss of the Company for the financial year, after providing for income tax of nil (2002 - nil), was \$165,265 (2002 - loss \$2,101,911).

Directors' Report

Directors' Interests in Shares

The relevant interests of each Director in the share capital of the Company are as follows:

Name	Ordinary Shares Directly held	Ordinary Shares Indirectly held	Contributing Shares Directly held	Contributing Shares Indirectly held
Dr V. Soultanov	–	5,107,633	–	3,389,661
Mr G. Vincent	125,000	–	–	–
Mr D. Kilroy	60,317	5,447,728	198,172	6,215,036
Mr P. Stedwell	10,000	110,000	–	–

Directors' Emoluments

The Board reviews the remuneration packages and policies applicable to the Directors and other officers of the Company on an annual basis. Where necessary the Board obtains independent advice on the appropriateness of remuneration packages.

Details of the nature and amount of remuneration received during the financial year by each Director of Solagran Limited are set out below:

Name	Consulting Fees (\$)	Non-cash Benefits (\$)	Total (\$)
<i>Non-executive Directors</i>			
Mr M. Mair	10,000	–	10,000
Mr R. Nichevich	35,500	–	35,500
Mr G. Vincent	12,500	–	12,500
Mr P. Hartford	–	–	–
<i>Executive Directors</i>			
Mr P. Stedwell	81,700	–	81,700
Dr V. Soultanov	32,500	–	32,500

Share Options Granted to Directors and Other Officers

There were no options granted over unissued shares in the Company during or since the end of the year to any Director and any other officer of the Company as part of their remuneration.

Insurance of Officers

The Company has not entered into any agreement to indemnify any Director or officer of the Company against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities.

Director's Insurance

The Company did not and does not hold a Directors and Officers Liability Policy.

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.

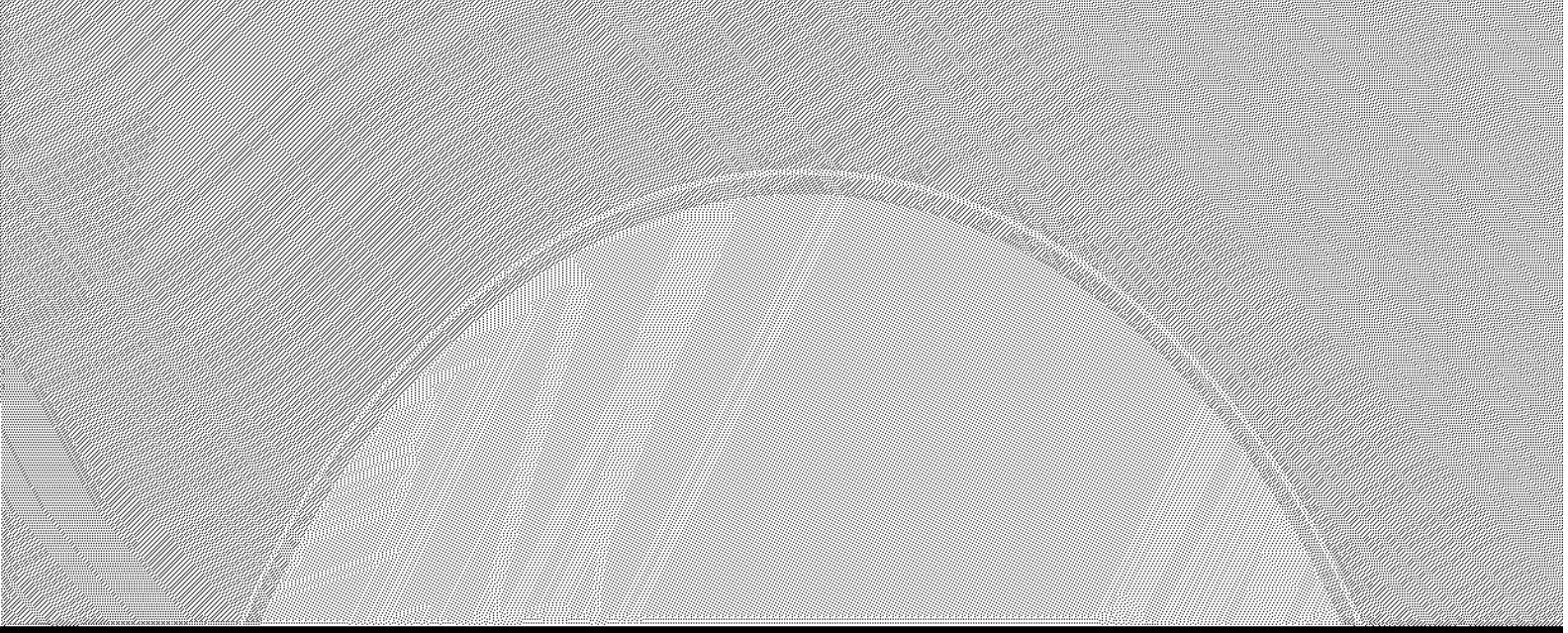
No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of corporate governance.

This report is made in accordance with a resolution of the Board of Directors:





Financial Statements



Financial Statements

Solagran Limited
 Statements of Financial Performance
 For the Year Ended June 30, 2003

	Notes	CONSOLIDATED ENTITY		PARENT ENTITY	
		2003	2002	2003	2002
		\$	\$	\$	\$
Revenue from ordinary activities	2	41,076	237,119	41,076	20,482
Interest income		508,140	-	-	-
Dividend income		37,543	403,475	-	-
Depreciation and amortisation expenses		5,800	-	-	-
Finance charges		671,938	1,935,555	593,208	1,391,857
(Loss) from ordinary activities before income tax expense		(165,265)	(2,101,911)	(552,132)	(1,371,365)
Income tax expense	4	-	-	-	-
(Loss) from ordinary activities after income tax		(165,265)	(2,101,911)	(552,132)	(1,371,365)
Total changes in equity other than those resulting from transactions with owners as owners		(165,265)	(2,101,911)	(552,132)	(1,371,365)
		Cents	Cents		
Basic earnings per share	14	(0.22)	(2.07)		

The above statements of financial performance should be read in conjunction with the accompanying notes



Solagran Limited
 Statements of Financial Position
 as at June 30, 2003

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2003	2002	2003	2002
	\$	\$	\$	\$
CURRENT ASSETS				
Cash assets	653,488	403,425	584,638	403,425
Receivables	1,446	19,238	-	-
Inventories	1,659,000	-	-	-
TOTAL CURRENT ASSETS	2,315,934	422,663	584,638	403,425
NON-CURRENT ASSETS				
Property	-	-	435,000	-
Other financial assets	-	-	8,750,000	-
Intangibles	13,690	-	-	-
TOTAL NON-CURRENT ASSETS	7,502,887	-	9,185,000	-
TOTAL ASSETS	9,818,819	422,663	9,769,638	403,425
CURRENT LIABILITIES				
Payables	148,303	545,288	109,471	149,334
Accrued liabilities	550,688	-	550,688	-
TOTAL CURRENT LIABILITIES	698,991	545,288	660,159	149,334
NET ASSETS / (DEFICIENCY)	\$9,119,828	(\$122,625)	\$9,109,477	\$254,091
EQUITY				
Shareholders' equity	36,743,233	27,335,715	36,743,233	27,335,715
Accumulated losses	(27,623,605)	(27,458,340)	(27,633,756)	(27,081,624)
TOTAL EQUITY	\$9,119,628	(\$122,625)	\$9,109,477	\$254,091

The above statements of financial performance should be read in conjunction with the accompanying notes

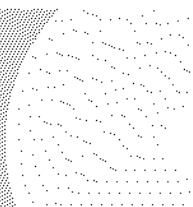
	CONSOLIDATED ENTITY		PARENT ENTITY	
	2003	2002	2003	2002
	\$	\$	\$	\$
	Inflows	Inflows	Inflows	Inflows
	(Outflows)	(Outflows)	(Outflows)	(Outflows)
Notes				
Operating Activities				
Receipts from customers (inclusive of goods and services tax)	-	480,705	-	6,131
Interest received	20,076	16,022	20,076	14,351
Interest received from controlled entity	(690,393)	(1,381,876)	(591,995)	(1,243,284)
Proceeds from sale of plant and equipment	0	44,123	-	-
Proceeds from sale of investment	(18,690)	(15,879)	-	-
Receipt of cash on acquisition of controlled entity	38,938	-	-	-
Loans repaid by other entities	-	452,063	-	452,063
Loan provided to controlled entity	(250,990)	-	(435,000)	-
Proceeds from issues of shares	657,518	-	657,518	-
Loan provided to controlled entity	512,688	-	550,688	-
Loan provided to controlled entity	-	-	(435,000)	-
Interest received from controlled entity	1,178,206	-	773,206	-
Interest received from controlled entity	250,061	(881,569)	181,211	(791,221)
Interest received from controlled entity	403,425	1,284,904	403,425	1,194,646
Interest received from controlled entity	653,486	403,425	584,636	403,425

(i) Reconciliation of Cash

For purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:

	653,486	403,425	584,636	403,425
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The above statements of financial performance should be read in conjunction with the accompanying notes



Note 1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

The financial report is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Solagran Limited ("Company" or "parent entity") as at 30 June, 2003 and the results of all controlled entities for the year then ended. Solagran Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

Refer to Note 15 for details of controlled entities.

(b) Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(c) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date, unless the notional price at which they could be placed in the market is a better indicator of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Goodwill is brought to account on the basis described in Note 1(h).

(d) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets have not been discounted.

(e) Revaluation of non-current assets

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net profit or loss, the increment is recognised immediately as revenue in net profit or loss.

Revaluation decrements are recognised immediately as expenses in the net profit or loss, except to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Potential capital gains tax is not taken into account in determining revaluation amounts unless it is expected that a liability for such tax will crystallise.

(f) Investments

Investments in listed and unlisted securities, other than controlled entities and associates in the consolidated financial statements, are brought to account at cost and dividend income is recognised in the statement of financial performance when receivable. Controlled entities and associates are accounted for in the consolidated financial statements as set out in Note 1(a).

(g) Depreciation of Plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of plant and equipment over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The expected useful lives are as follows:

Furniture and office equipment : 5 years

(h) Intangible Assets

Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill and amortised on a straight line basis over twenty years, being the period during which the benefits are expected to arise.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight line basis over the periods of their expected benefits, which vary from 3 to 5 years.

(i) Employee Entitlements

Wages and Salaries and Annual Leave

Liabilities for wages and salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

Long Service Leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wages and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms of maturity that match, as closely as possible, the estimated future cash outflows.

Superannuation

The consolidated entity contributes to a superannuation plan in respect of Australian employees of the consolidated entity in accordance with the Superannuation Guarantee (Administration) Act.

(j) Leased Non-Current Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits. Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The leased asset is amortised on a straight line basis over the term of the lease, or where it is unlikely that the consolidated entity will obtain ownership of the asset, the life of the asset.

Operating lease payments are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(k) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include interest on bank overdrafts and short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings and finance lease charges.

(l) Maintenance and Repairs

Routine operating maintenance, repair and minor renewal costs are charged as expenses as incurred.

(m) Trade and Other Creditors

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

(n) Interest Bearing Liabilities

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.



Solagran Limited

Notes to and forming part of the Financial Statements for the year ended June 30, 2003

(o) Goods and Services Tax System Changes

Costs incurred to update existing systems or to design, develop and implement new systems to deal with the GST are charged as expenses as incurred, except where they result in an enhancement of future economic benefits and are recognised as an asset.

(p) Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement within 30 days.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(q) Revenue Recognition

Revenue is recognised when the goods are sold or service is provided.

(r) Earnings Per Share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

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

(s) Inventories

Raw material and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of stock on the basis of weighted average costs.

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2003	2002	2003	2002
	\$	\$	\$	\$
NOTE 2. REVENUE				
<i>Revenue from operating activities:</i>				
Revenue from ordinary activities	41,076	203,386	-	-
Interest	20,076	16,022	20,076	14,351
Finance costs	-	1,967	-	-
Recovery of bad debt	21,000	-	21,000	-
	-	15,744	-	6,131
	41,076	33,733	41,076	20,482
Revenue from ordinary activities	41,076	237,119	41,076	20,482

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2003	2002	2003	2002
	\$	\$	\$	\$
NOTE 3. OPERATING (LOSS) FROM ORDINARY ACTIVITIES				
(a) Net gains				
Net gain on disposal of property	508,140	-	-	-
Loss from ordinary activities before income tax expense				
Expenses				
- plant and equipment	5,800	-	-	-
Other provisions				
	-	99,715	-	-
	7,683	149,845	-	-
(b) Individually significant items				
Write down of assets disposed of	-	386,553	-	-
	-	47,937	-	47,937
Equipment rental guarantee	-	351,236	-	351,236
	-	217,573	-	217,573
Write down for non recovery of loan to controlled entity	-	-	-	460,060

NOTE 4. INCOME TAX

The income tax expense for the financial year differs from the amount calculated on the (loss). The differences are reconciled as follows:

	(165,265)	(2,101,911)	(552,132)	(1,371,355)
	(49,580)	(530,373)	(165,640)	(411,415)
Tax effect of permanent differences:				
	-	130,347	-	154,750
- timing differences and tax losses not brought to account	49,580	500,226	165,640	256,617

The Directors estimate that the potential future income tax benefit at 30 June, 2003 in respect of tax losses not brought to account is \$9,630,837

The benefit for tax losses will only be obtained if:

- (i) the CONSOLIDATED ENTITY derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; or
- (ii) the losses are transferred to an eligible entity in the consolidated entity; and
- (iii) the CONSOLIDATED ENTITY continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iv) no changes in tax legislation adversely affect the CONSOLIDATED ENTITY in realising the benefit from the deductions for the losses.



	CONSOLIDATED ENTITY		PARENT ENTITY	
	2003	2002	2003	2002
	\$	\$	\$	\$
NOTE 5. Reconciliation of operating (loss) from ordinary activities after income tax to net cash inflow from operating activities				
Operating (loss) from ordinary activities after income tax	(165,265)	(2,101,911)	(552,132)	(1,371,365)
Depreciation	5,000	-	-	-
Profit on sale of controlled entities	(508,146)	-	-	-
Loss on disposal of assets	3,904	386,353	-	-
Creditors settlement	-	101,230	-	-
Loss on disposal of investments	142	47,937	-	47,937
Decrease in receivables	15,827	490,630	-	-
Change in other assets	(41,881)	(161,853)	(39,863)	80,164
(Decrease) in provisions	-	(99,715)	-	-
Change in other liabilities	-	(24,917)	-	-
	(880,393)	(1,361,876)	(591,995)	(1,243,284)

NOTE 6. CURRENT ASSETS - Receivables

Trade debtors	-	19,238	-	-
Other receivables	3,446	-	-	-
	3,446	19,238	0	0

NOTE 6. NON-CURRENT ASSETS - Receivables

Loan to Zoolander Pty Ltd	-	-	-	9,264,090
Loan to Zoolander Pty Ltd	-	-	-	(9,264,090)
Loan to Solihans Limited	-	-	435,000	-
	-	-	435,000	-

NOTE 7. CURRENT ASSETS - Inventories

	1,457,000	-	-	-
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NOTE 8. NON-CURRENT ASSETS - Other Financial Assets

Investment in Solihans Limited	-	-	8,750,000	4,590,250
Less: Provision for non recovery of investment	-	-	-	(4,590,250)
	0	0	8,750,000	0

NOTE 9. NON-CURRENT ASSETS - Plant and equipment

Furniture and office equipment - at cost	18,690	-	-	-
Accumulated depreciation	(5,000)	-	-	-
	13,690	-	0	-

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

Consolidated	Furniture and Office Equipment
Carrying amount at 1 July, 2002	-
Additions	18,690
Depreciation expense	(5,000)
Carrying amount at 30 June, 2003	13,690

Financial Reports

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2003	2002	2003	2002
	\$	\$	\$	\$

NOTE 10. NON-CURRENT ASSETS - Intangibles

Goodwill	139,209	5,600,747	-	-
Intangible Assets - Research and Development	-	(5,600,747)	-	-
	139,209	0	0	0
	7,581,788			
Intellectual Property - patents and trademarks - at cost	7,690,997	-	-	-

NOTE 11. CURRENT LIABILITIES - Payables

Trade payables	131,792	210,329	109,471	149,334
Other creditors	16,511	334,959	-	-
	148,303	545,288	109,471	149,334

NOTE 12. CONTRIBUTED EQUITY

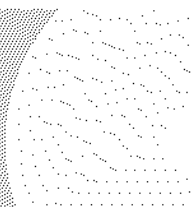
	PARENT ENTITY		PARENT ENTITY	
	2003	2002	2003	2002
	Shares	Shares	\$	\$
Ordinary shares - fully paid	74,780,970	115,971,353	38,493,233	27,335,715
Contributing shares - fully paid (US\$)	25,000,000	-	250,000	-
	99,780,970	115,971,353	38,743,233	27,335,715

Movements in ordinary share capital:

	Number of shares	\$
Opening Balance - 1 July, 2001	115,971,353	27,335,715
Capital raising - 9 December, 2002	13,158,360	657,518
	129,121,713	27,993,233
Consolidation of Capital - 10 January, 2003	32,280,970	-
Acquisition of paid up capital of Solothora Limited - 30 April, 2003	42,500,000	3,500,000
Closing balance - 30 June, 2003	74,780,970	38,493,233

Movements in contributing share capital:

Acquisition of paid up capital of Solothora Limited - 30 April, 2003	25,000,000	250,000
Closing balance - 30 June, 2003	25,000,000	250,000



Solagran Limited

Notes to and forming part of the Financial Statements for the year ended June 30, 2003

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2003	2002	2003	2002
	\$	\$	\$	\$

NOTE 13. ACCUMULATED LOSSES

Accumulated losses at the beginning of the financial year	(27,458,340)	(25,356,429)	(27,081,624)	(25,710,239)
	(165,265)	(2,101,811)	(552,132)	(1,371,385)
Accumulated losses at the end of the financial year	(27,623,605)	(27,458,340)	(27,633,756)	(27,081,624)

	CONSOLIDATED ENTITY	
	2003	2002
	\$	\$
Basic earnings per share	(6.22)	(2.07)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	37,924,018	101,610,231

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2003	2002	2003	2002
	\$	\$	\$	\$

NOTE 15. INVESTMENT IN CONTROLLED ENTITIES

Name of Entity

	Country of incorporation	Class of shares	Equity Holding	
			2003	2002
			Zootaxider Pty Ltd	Australia
	Australia	Ordinary	100%	-

Acquisition of controlled entity

On 30 April, 2003 the PARENT ENTITY acquired 100% of the issued share capital of Solathera Limited for the issue of 42,500,000 fully paid ordinary shares and 25,000,000 \$0.20 contributing shares as paid to \$0.01.

The operating results of this newly controlled entity have been included in the consolidated statement of financial performance since the date of acquisition.

Details of the acquisition are as follows:

Fair value of identifiable net assets of controlled entity acquired

	1,457,000
Cash	38,938
Trade receivables	7,385,081
Trade creditors	(20,228)
	(250,000)
	8,610,791

Details of the acquisition (cont)

Goodwill on consolidation	139,299			
	8,750,000			
	CONSOLIDATED ENTITY		PARENT ENTITY	
	2003	2002	2003	2002
	\$	\$	\$	\$
net of cash acquired	-	-	-	-
Less: Balances acquired	56,238	-	38,638	-
Inflow of cash	38,938	-	38,938	-

NOTE 16. FINANCIAL INSTRUMENTS

(a) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table.

For interest rates applicable to each class of asset or liability refer to individual notes in the financial statements.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the CONSOLIDATED ENTITY intends to hold fixed rate assets and liabilities to maturity.

2003	Fixed interest maturing in:				Total
	Floating interest rate	1 year or less	Over 1 to 5 years	Non-interest bearing	
	\$	\$	\$	\$	\$
Cash assets	653,486	-	-	-	653,486
Trade and other creditors	-	-	-	148,303	148,303
	653,486	-	-	148,303	801,789

2002	Fixed interest maturing in:				Total
	Floating interest rate	1 year or less	Over 1 to 5 years	Non-interest bearing	
	\$	\$	\$	\$	\$
Financial Assets					
Receivables	403,425	-	-	-	403,425
	-	-	-	19,238	19,238
	403,425	0	0	19,238	422,663



Financial Liabilities

				545,288	545,288
	0	0	0	545,288	545,288

(b) Credit risk exposures

The credit risk on financial assets of the CONSOLIDATED ENTITY which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

The CONSOLIDATED ENTITY does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by it.

(c) Net fair value of Financial Assets and Liabilities

On-balance sheet

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the CONSOLIDATED ENTITY approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Equity investments traded on organised markets have been valued by reference to market prices prevailing at balance date. For non-traded equity investments, the net fair value is an assessment by the Directors based on the underlying net assets, future maintainable earnings and any special circumstances pertaining to a particular investment.

The carrying amounts and net fair values of financial assets and liabilities at balance date are:

On-balance sheet financial instruments	2003 Carrying Amount	2003 Net fair Value	2002 Carrying Amount	2002 Net fair Value
Financial assets				
	553,486	553,486	403,425	403,425
Receivables	3,446	3,446	19,238	19,238
	556,932	556,932	422,663	422,663
Financial liabilities				
	131,792	131,792	210,329	210,329
Other creditors	16,511	16,511	334,959	334,959
	148,303	148,303	545,288	545,288

NOTE 17. EVENTS OCCURRING AFTER REPORTING DATE

Matters subsequent to the end of the financial year:

- Zoolander Pty Ltd was placed into liquidation in July 2003
- Mr Denis Kilroy was appointed as a Director of Solagran Limited
- Mr Patrick Harford and Mr Markus Mair resigned as Directors of Solagran Limited
- A new website for Solagran Limited was launched www.solagran.com
- After completing an issue of securities based on the Replacement Prospectus (dated 14 February, 2003) and a Supplementary Prospectus (dated 18 June,

NOTE 18. RELATED PARTIES

Directors

The names of persons who were Directors of Solagran Limited at any time during the financial year are as follows:

- > Mr P. Harford
- > Mr D. Kilroy
- > Mr M. Meir
- > Mr R. Nichevich
- > Dr V. Soultanov
- > Mr P. Stedwell
- > Mr G. Vincent

Remuneration and retirement benefits

Information on remuneration and retirement benefits of Directors is disclosed in notes 19 and 20 respectively.

Transactions of Directors and director-related entities concerning share or share options

Dr V. Soultanov acquired an interest in 6,107,633 ordinary shares and 3,369,651 \$0.20 contributing shares paid to \$0.01 from the acquisition of the paid up capital of Solathera Limited.

Mr D. Kilroy acquired an interest in 6,528,105 ordinary shares and 6,411,208 \$0.20 contributing shares paid to \$0.01 from the acquisition of the paid up capital of Solathera Limited.

Aggregate numbers of shares and share options of Solagran Limited held directly, indirectly or beneficially by Directors of the Company or the CONSOLIDATED ENTITY or their director-related entities at balance date:

	2003 Number	2002 Number
Options over ordinary shares	100,000	6,319,473

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2003	2002	2003	2002
Other transactions with Directors and director-related entities	\$	\$	\$	\$

	2003	2002
		\$

Non-executive Directors	10,000	10,000
	35,500	50,000
	12,500	-
	-	-
Executive Directors	81,700	50,600
	32,500	-

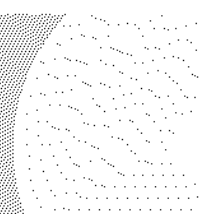
All payments were made on normal commercial terms and conditions.

Wholly-owned group

The wholly-owned group consists of Solagran Limited and its wholly-owned controlled entity, Solathera Limited.

Ownership interests in this controlled entity is set out in **Note 15**.

	435,000
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Solagran Limited
 Notes to and forming part of the Financial
 Statements for the year ended June 30, 2003

NOTE 19. REMUNERATION OF DIRECTORS

Income paid or payable, or otherwise made available, to Directors by entities in the CONSOLIDATED ENTITY and related parties in connection with the management of affairs of the PARENT ENTITY or its controlled entities

Directors of entities in the CONSOLIDATED ENTITY		Directors of PARENT ENTITY	
2003	2002	2003	2002
\$	\$	\$	\$
172,200	93,428	172,200	93,428

The numbers of PARENT ENTITY Directors whose total income from the PARENT ENTITY or related parties was within the specific bands are as follows:

\$	2003	2002
	1	3
10,000 - 19,999	2	-
	2	-
60,000 - 69,999	1	-
	-	1

NOTE 20. RETIREMENT BENEFITS OF DIRECTORS

Benefits paid to Mr G. Robertson in connection with his retirement as a Director of Travelsnop Limited

CONSOLIDATED ENTITY		PARENT ENTITY	
2003	2002	2003	2002
\$	\$	\$	\$
-	62,168	-	62,168

NOTE 21. SEGMENT INFORMATION

NOTE 22. REMUNERATION OF AUDITORS

CONSOLIDATED ENTITY		PARENT ENTITY	
2003	2002	2003	2002
\$	\$	\$	\$

During the year the auditor of the PARENT ENTITY earned the following remuneration:

Auditor of the PARENT ENTITY				
Audit or review of financial reports of the entity or any entity				
	14,000	28,000	14,000	14,000
Total audit and other assurance services	14,000	28,000	14,000	14,000
Other services	28,972	27,850	-	-
Total remuneration	42,972	55,850	14,000	14,000

NOTE 23. COMMITMENTS FOR EXPENDITURE

Lease Commitments

Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	-	86,800	-	-
Later than one year but not later than 5 years	-	-	-	-
	-	-	-	-
Commitments not recognised in the financial statements	-	86,800	-	-



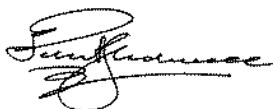
The Directors declare that the financial statements and notes:

- a) Comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- b) Give a true and fair view of the Company's and consolidated entity's financial position as at 30 June, 2003 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Directors' opinion:

- a) The financial statements and notes are in accordance with the Corporations Act 2001; and
- b) There are reasonable grounds to believe that Solagran Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors:



Peter Stedwell
Director

Dated at Melbourne 26 September, 2003.



Horwath

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Chartered Accountants
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Independent audit report to members of Solagran Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Solagran Limited (the company) and the consolidated entity, for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. We have not acted as auditors of the controlled entity, Solathera Limited. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows. We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of Solagran Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

Dated the 26th day of September 2003.

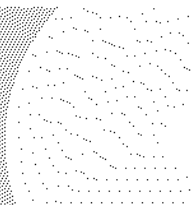
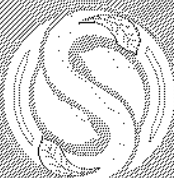
HORWATH PERTH

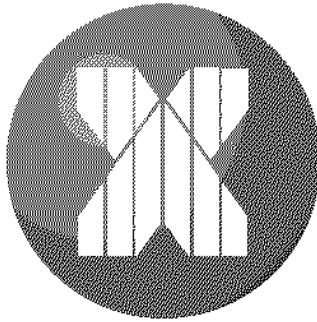
HORWATH PERTH
Chartered Accountants

G D O'BRIEN
Partner

Partners: Glyn O'Brien CA Anthony Bevan CA

Horwath Perth conducts its practice independently of Horwath (WA) Pty Ltd and of all other firms of chartered accountants who are members of Horwath International in Australia





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AUSTRALIAN STOCK EXCHANGE

Distribution of Holdings	Number of Holders
1-1,000	1,283
1,001-5,000	321
5,001-10,000	146
10,001-100,000	335
100,001 and over	57
Total	2142

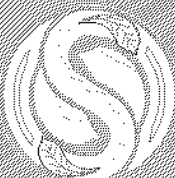
Top 20 Ordinary Share Holders

	Number	%
Solemind Pty Ltd	36,125,000	46.81
ANZ Nominees Limited	7,026,938	9.11
Sunshare Holdings Pty Ltd	1,837,500	2.38
Avondry Pty Ltd	1,175,090	1.52
Sunshare Holdings Pty Ltd	1,071,707	1.39
Growth Tech International Ltd	1,050,000	1.36
Mr Denis B Kirroy & Ms Fiona M Kirroy	1,007,621	1.31
Koy Pty Ltd	1,000,000	1.30
National Australia Trustees Ltd	808,224	1.05
Consolidated Securities Pty Ltd	750,000	0.97
Eastok Pty Ltd	688,883	0.89
Ms Adamando Pellegrino	644,074	0.83
Sunshare Holdings Pty Ltd	598,363	0.78
Comp-World Limited	575,000	0.75
Kirroy Brown & Associates Pty Ltd	546,067	0.71
Dr Safin Cassim	475,000	0.62
Gun Capital Management Pty Ltd	395,382	0.51
Kirroy Brown & Associates Pty Ltd	378,415	0.49
Westpac Custodian Nominees Limited	375,002	0.49
Mr Willie Wong	375,000	0.49
Report Total	56,903,266	73.76
Remainder	20,263,514	26.24
Grand Total	77,166,780	100.00



Top 20 \$0.20 Contributing Share Holders (paid to \$0.01)

	Number	%
Solanind Pty Ltd	11,250,000	22.50
Medco Financial Services Pty Ltd	3,700,000	7.40
Gun Capital Management Pty Ltd	2,665,464	5.33
Mr David B Kilroy & Ms Fiona M Kilroy	2,460,382	4.92
National Australia Trustees Ltd	2,388,678	4.78
Easlick Pty Ltd	1,682,151	3.36
Kilroy Brown & Associates Pty Ltd	1,424,371	2.85
Ms Adomanda Pellegrino	1,310,000	2.62
Mr Cameron Beavis	1,000,000	2.00
Mr Glenn Peter Croft	1,000,000	2.00
Kilroy Brown & Associates Pty Ltd	924,033	1.85
Dr Vagif Sultanovich Sultanov	912,456	1.82
Mr David Christopher Kemp	850,000	1.70
Stanowitch International Pty Ltd	800,000	1.60
Dunshoro Holdings Pty Ltd	800,000	1.60
Mr David Christopher Kemp	675,500	1.35
Mr George Caracoulis	600,000	1.20
Mr Hamish Robbins Hughes	580,000	1.16
Abegale Pty Ltd	525,000	1.05
Mr Edwin Leslie Ronald Moss	500,000	1.00
Report Total	36,048,035	72.09
Remainder	13,951,965	27.91
Grand Total	50,000,000	100.00





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AUSTRALIAN STOCK EXCHANGE

Top 20 Options (SLAOA) Holders Exercisable at \$0.80 before 30 November, 2004

	Number	%
Motiva Nominees Pty Limited	3,822,028	16.96
Sunshores Holdings Pty Ltd	1,837,500	8.15
Growth Tech International Ltd	1,050,000	4.66
BB Nominees Pty Ltd	1,019,576	4.52
Mr Christopher Robert Rogerson	1,000,000	4.44
Jennyanna Pty Ltd	900,000	3.99
Mr William Robert Goodes	503,945	2.24
Mr Leo Khouri	500,000	2.22
Mr Leslie Patrick Connors	481,058	2.16
Mr Noel Lawson Eddy	479,483	2.13
Mrs Wilhelmina Christina Knezev	437,500	1.94
Comp-World Limited	375,000	1.66
Mohd Aziz Bin Jalil	361,111	1.60
Mr David Andrew Hill	342,500	1.52
Mr Johannes Petrus Jozef De Vroom & Mrs Jacqueline De Vroom	325,000	1.44
Mr William John Bomholdt	300,000	1.33
M & K Korfidis Pty Ltd	300,000	1.33
Mrs Sharon Veronica Abbott	287,500	1.28
Lizrow Pty Ltd	250,000	1.11
Saber Limited	230,556	1.02
Report Total	14,812,757	65.72
Remainder	7,724,581	34.28
Grand Total	22,537,338	100.00

Top 20 Option Holders (SLAOB)
Exercisable at \$0.20 before 30 June, 2004

	Number	%
Gon Capital Management Pty Ltd	8,300,000	40.79
Avondry Pty Ltd	2,350,180	11.55
Sunshore Holdings Pty Ltd	1,150,000	5.65
Sabor Limited	350,000	1.72
ANZ Nominees Limited	327,312	1.61
Harlekin Investments Pty Ltd	260,000	1.28
Ms Margaret Anne Brown	250,000	1.23
Mr Mark Jenkinson	250,000	1.23
Dries Kroesza	250,000	1.23
Ms Wilhelmina Christina Kroesza	250,000	1.23
Mr Joe Cassari	227,495	1.12
INXS Pty Ltd	205,000	1.01
Mr Cameron Beavis	200,000	0.98
Corsica Pty Ltd	200,000	0.98
Mr David G.J Brown	150,000	0.74
Ms Sally- Anne Conill	150,000	0.74
Beale Tiernoy & Michael Tiernoy	125,000	0.61
Mr Linden Grant Martin & Mrs Lynne Patricia Martin	115,000	0.57
Ms Felicity Elaine Brown	100,000	0.49
Mr Timothy James Butler	100,000	0.49
Report Total	15,309,987	75.25
Remainder	5,036,813	24.75
Grand Total	20,346,800	100.00

Voting Rights

Each shareholder is entitled to receive notice of and attend and vote at general meetings of the Company. At a general meeting, every shareholder present in person or by proxy, representative or attorney will have one vote on a show of hands and on a poll, one vote for each share held.

Corporate Governance

The Directors are responsible for protecting the rights and interests of the members through the implementation of sound strategies and action plans and the development of an integrated framework and controls over Solagran's resources, functions and assets. Solagran's main corporate governance practices in place during the financial year are as follows:

Board

The Board comprises two executive and two non-executive Directors. The names of the Directors are set out in the Directors' Report. Remuneration of Directors is determined annually by the Board.

The Board is responsible for reviewing the adequacy and effectiveness of management's internal controls on accounting and financial controls; on accounting and financial reporting systems; on the effectiveness of the external audit function; on the standard of corporate conduct in transactions with related parties; and for the replacement or nomination of external auditors.

Audit Committee

Solagran does not have an audit committee, or any other committee, as the Directors consider that, for the Company's current size and state of development they are inappropriate.

Identifying and Managing Risks

The Board regularly monitors the operational and financial performance of the Company. The Board also reviews and receives advice on areas of operational and financial risks. Appropriate risk management strategies are developed to mitigate all identified risks of the business.





St Petersburg Forest Technical Academy, Russia

Solagram

