Solagran Limited

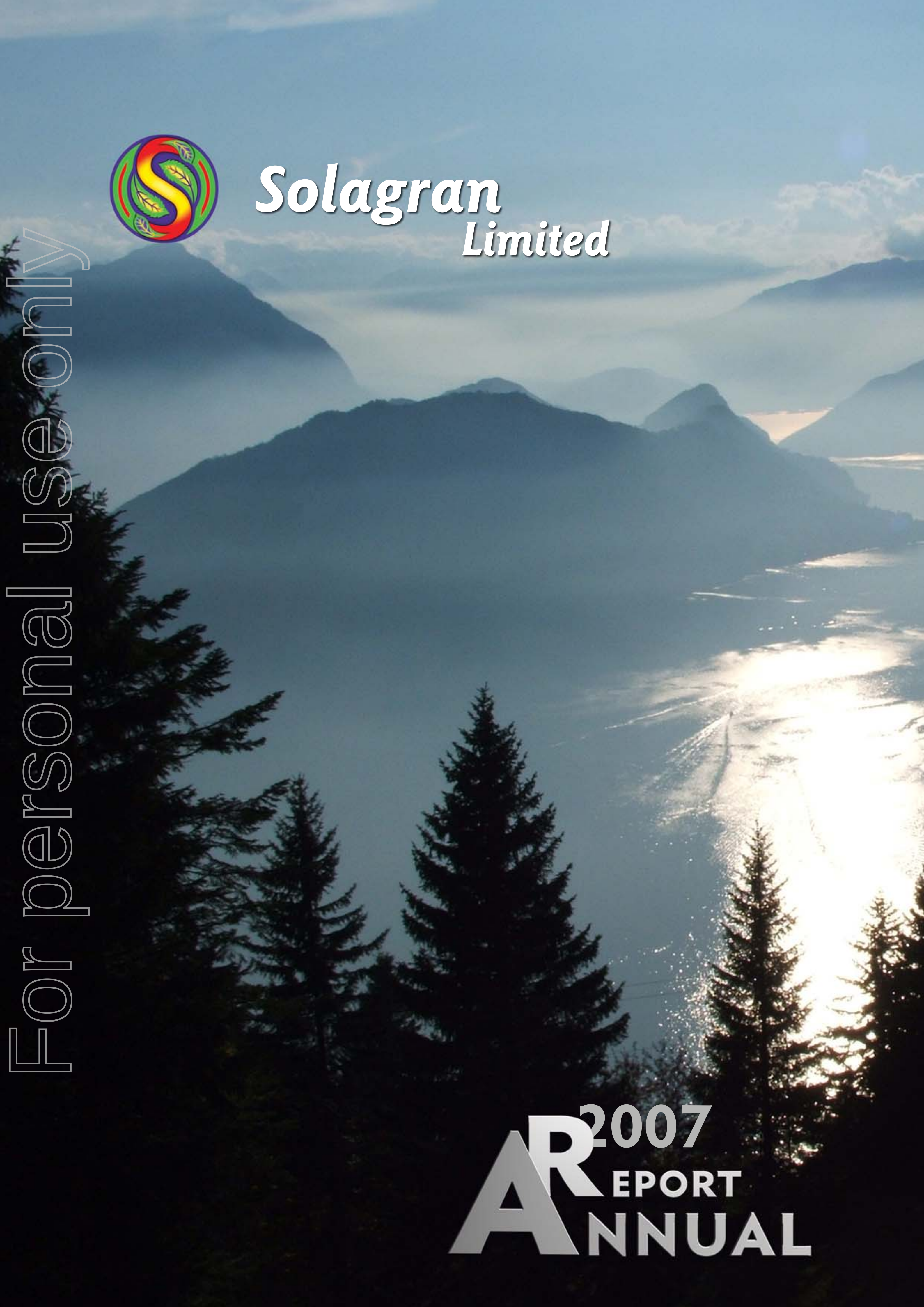
Solagran Limited
ACN 002 592 396
Level 11
492 St Kilda Road
Melbourne 3004
Victoria
Australia
Tel 61 3 9820 2699
Fax 61 3 9820 3155

31 October, 2007

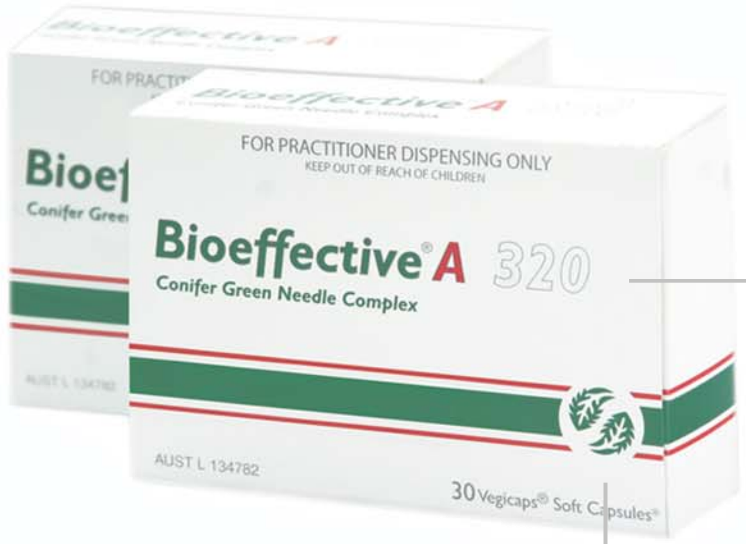
Company Announcement
Annual Report 2007

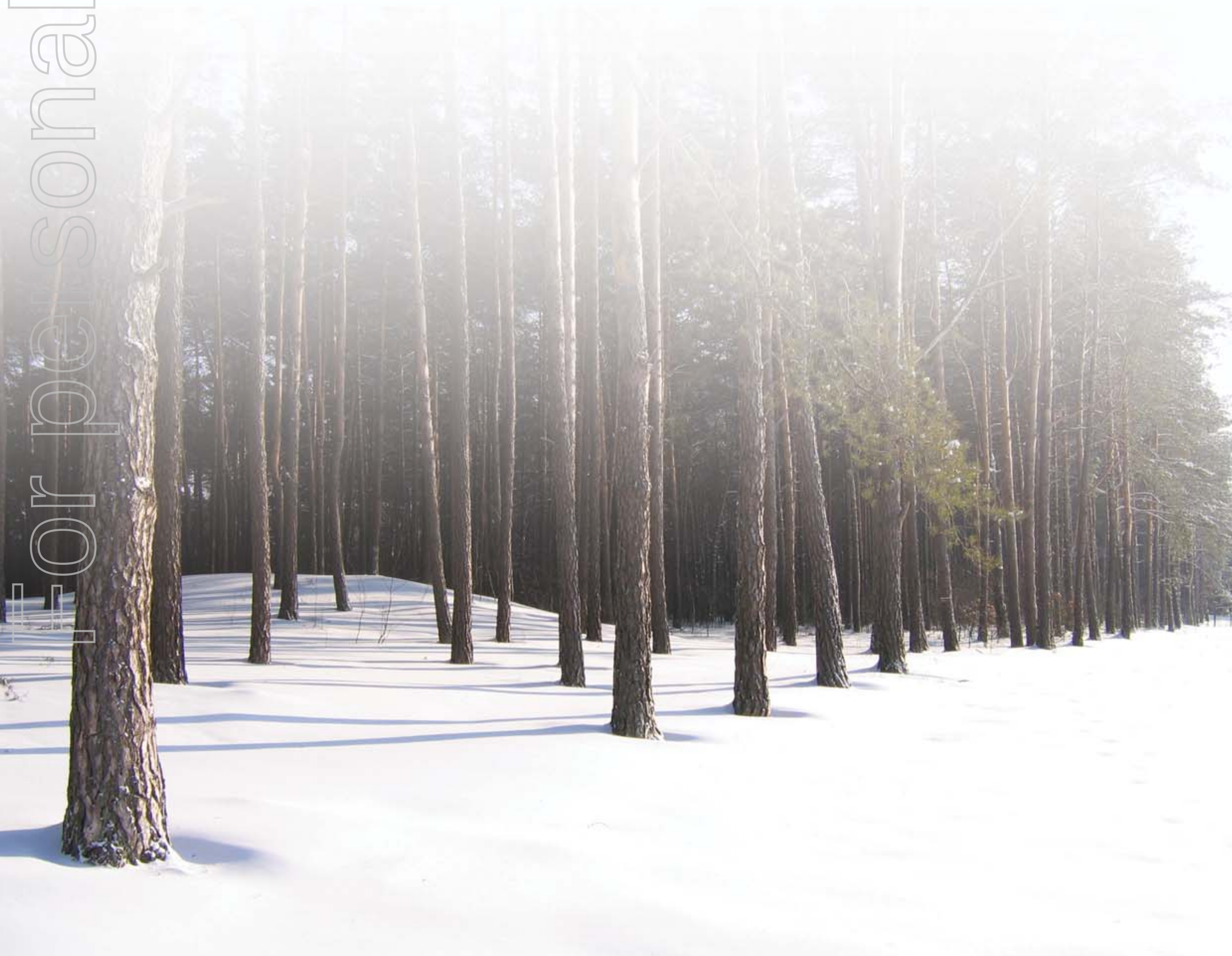
The Directors of Solagran Limited are pleased to release Solagran's 2007 Annual Report.

Peter Stedwell
Company Secretary
On behalf of the Board of Directors
Solagran Limited


Solagran
Limited
2007
Annual Report

bioeffective revolution

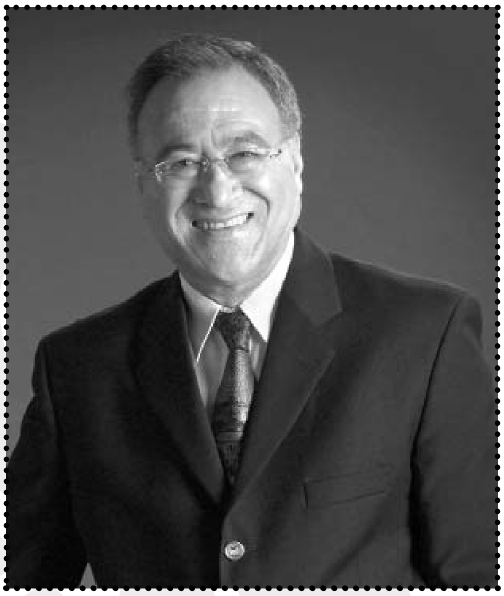




CORPORATE DIRECTORY

ABN	48 002 592 396
DIRECTORS	Dr Vagif Soultanov – Executive Chairman Mr Denis Kilroy Mr Charles Pellegrino Mr Peter Stedwell
COMPANY SECRETARY	Mr Peter Stedwell
REGISTERED OFFICE	Level 11, 492 St Kilda Road Melbourne VIC 3004
TELEPHONE	61 3 9820 2699
FACSIMILE	61 3 9820 3155
SHARE REGISTRY	Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St Georges Terrace Perth WA 6000
AUDITOR	BDO Kendalls Audit & Assurance (WA) Pty Ltd 128 Hay Street Subiaco WA 6008
BANKERS	National Australia Bank Level 2, 330 Collins Street Melbourne VIC 3000
AUSTRALIAN STOCK EXCHANGE	Solagran Limited securities are listed on the Australian Stock Exchange Codes: SLA - Ordinary shares SLACE - Contributing shares

CONTENTS



Dear Shareholder,

The last financial year was a period of strong and positive progress for our Company.

The Solagran teams in St. Petersburg, Melbourne and Tomsk have worked extremely hard towards achieving the Company's objectives of commercializing Bioeffectives® and becoming an active participant in the international pharmaceutical industry.

The registration of Bioeffective® R as a substance and Ropren as a new pharmaceutical product by the Russian Ministry of Health announced in July this year is a major achievement for our Company. Obtaining full pharmaceutical registration in less than four years is an outstanding achievement. I would like to thank all those involved on behalf of both the Board and shareholders.

Throughout the year, we have continued to communicate our message that as multiple molecule complexes, Bioeffectives® have multi-faceted activity. Clinical and pre-clinical trials conducted over the past year have continued to provide further evidence in support of this paradigm.

In September 2006, we announced the results of a comprehensive series of antimicrobial trials with Bioeffective® A conducted at the I.I. Mechnikov State Medical Academy. These in vitro trials showed that Bioeffective® A was effective in inhibiting the growth and reproduction of 28 strains of bacteria (including Methicillin-resistant strains) and three common fungi.

At the same time, we concluded a series of sophisticated in vitro trials at the Pasteur Institute which demonstrated the ability of Bioeffective® A to inhibit the growth and reproduction of Helicobacter pylori, the bacterium that causes a number of gastrointestinal problems including stomach ulcers and chronic atrophic gastritis.

In October 2006, we released some of the high level findings from a trial involving the use of Ropren to treat critically ill, heroin-addicted chronic alcoholics. The results of this trial were outstanding. In early 2007, we conducted a second series of trials with heroin-addicted chronic alcoholics with Bioeffective® A, mirroring the very positive trials undertaken with Ropren a few months earlier.

These trials have already formed the basis of a number of patent applications and will be released in full in a journal article in due course.

Dr Nina Golovkina, the Head of the Department of Psychosomatic Conditions at the Skvortsova-Stepanova Psychiatric Hospital where these trials were conducted was in Australia at the time of the recent EGM. She addressed shareholders on the significance of the trials findings and in doing so communicated her intention to use Ropren in her department as soon as it becomes available.

Also in October, we released the results of a series of in vitro and in vivo anti-oxidant trials with Bioeffective® A conducted at the St Petersburg State Chemical Pharmaceutical Academy. These trials showed that Bioeffective® A possessed anti-oxidant properties that matched those of the leading established anti-oxidants.

In November, we released the results of further animal trials conducted at the St Petersburg State Chemical Pharmaceutical Academy that demonstrated the efficacy of Bioeffective® B in treating prostate hyperplasia, and Ropren in restoring the secretion function of the prostate gland. These trials provided a basis from which to begin the process of developing a non-surgical solution with which to augment existing treatments for prostate problems.

At the end of February 2007, we announced the results of a very successful Neurocognitive Effects trial conducted at the Swinburne University Brain Sciences Institute in Melbourne. Those trials demonstrated that a three month course with Ropren led to a 15-20 percent improvement in cognitive function among healthy elderly volunteers. The impact of Ropren treatment included improved spatial working memory, significantly improved speed of retrieval from long term memory, as well as consolidation of verbal material into long term memory. This trial confirmed the Russian clinical trials finding that showed Ropren had a normalizing effect on lipid metabolism, decreasing the LDL levels and improving the LDL/HDL ratio. So we have a series of Russian trials demonstrating normalization of lipid metabolism with very sick people, and an Australian trial demonstrating a similar outcome with people who were considered healthy.

May 2007 saw the launch of Bioeffective® A 320 as a new complementary medicine in Australia, and three new patent applications relating to Ropren accepted by the Russian Patent Authority.

During the year, our progression towards establishing our position in the international pharmaceutical industry continued with the construction of our first commercial production facility at Tomsk in Central Siberia. This followed from our acquisition of the majority shareholding in SibEX announced in late 2006. The initial production facility due for completion in this calendar year will be capable of producing 20 kg per month of Bioeffective® R. Planning for the development of a larger facility in Tomsk capable of producing up to 200 kg per month is advanced.

Finally, the licensing Agreement announced during the year with BioProspect Limited is an important step towards the introduction of Bioeffectives® into the animal nutrition, animal health and agriculture sectors.

All in all, it has not been an easy year. But it has been a successful one. I would like to express my gratitude to all members of the Solagran team for their efforts, especially Professor Victor Roschin and his team, and Tamerlan Balaev and his team at Galenopharm, our pharmaceutical manufacturing partner in St Petersburg.

Thanks also to our shareholders for their ongoing support.

Vagif Soultanov
Executive Chairman.

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, 2007.

Directors

The following persons were Directors of Solagran Limited during the whole of the financial year and up to the date of this report:

Dr Vagif Soultanov
Executive Chairman

Mr Denis Kilroy
Executive Director

Mr Charles Pellegrino
Non-executive Director

Mr Peter Stedwell
Executive Director / Company Secretary

Dr Vagif Soultanov – Executive Chairman
Mr Denis Kilroy – Executive Director
Mr Charles Pellegrino – Appointed Executive Director on 10 July, 2007
Mr Peter Stedwell – Executive Director / Company Secretary

Principal Activities

The principal activities of the Company are the continuing research and commercial development of Bioeffectives along with the extension of patent protection for the extraction and applications of Bioeffectives.

Dividends

The Directors recommend that no dividend be paid. No amounts have been paid as dividends during the financial year and up to the date of this report.

Operating Results

The consolidated net loss of the Company for the financial year, after providing for income tax of nil (2006 - nil), was $3,649,964 (2006 - loss $2,113,001).

Review of Operations

During the year the Company continued its research and development programs and continued towards its objective of the commercialisation of Bioeffectives R, B and A.

The first local sales of Bioeffective B and some initial stock orders for Bioeffective A are reflected in the accounts for this financial year.

The increase in expenses was consistent with the continuing research and product development programs along with the expenses involved in the initial product launches for Bioeffective B and Bioeffective A.

Funding availability is still largely determined by receipts from the Contributing Share Call program and the exercise of Unlisted Options.

Commercialisation of Products

During the financial year the Company derived initial sales revenue from its Bioeffective A and Bioeffective B products.

The Directors believe that the first sales revenue for Bioeffective R will be derived in the financial year 2007/2008 from sales to be made in Russia.

Significant Changes in the State of Affairs

The Company made a Call of $0.03 per Contributing Share in February 2007. This Call raised $1,479,738.

The Contributing Shares (SLACE) are currently paid to $0.10 per share. The next Call is scheduled for February 2008 at $0.05 per Contributing Share.

During the financial year the Company received $3,100,064 from a placement of ordinary shares, the exercise of Unlisted Options and the conversion of Contributing Shares to Ordinary Shares.

Matters Subsequent to the End of the Financial Year

On 10 July, 2007 the Board announced the appointment of Mr Charles Pellegrino as an Executive Director. Mr Pellegrino was previously a Non-Executive Director.

The Company announced on 18th July, 2007 that it had received formal advice from the Russian Ministry of Health that the pharmaceutical registration of Bioeffective R and Ropren had been finalised.

On 6 August, 2007 the Directors announced details of a General Meeting of Shareholders to be held on Monday 17 September, 2007.

The Directors provided details of the proposed pricing and plans to supply Ropren outside of Russia on 15 August, 2007.

On 23 August, 2007 the Directors announced the details of a planned visit to Australia by Professor Anatoly Zhebrun, the Director of the Pasteur Institute in St Petersburg, Russia.

The Company announced the completion of a Strategic Partnership Agreement with BioProspect on 23 August, 2007.

Likely Developments and Expected Results of Operations

The Directors believe that given the current state of commercial development, Bioeffective R, B and A will generate sales revenue in the financial year 2007/2008.

Environmental Regulation

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

Information on Directors

Dr Vagif Soultanov

Executive Chairman

Experience and expertise

Dr Soultanov 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. He has published over 60 scientific papers internationally and in Russia and personally holds a number of patents.

Other current directorships

Dr Soultanov does not currently hold any other directorships in publicly listed companies and has not done so during the past 3 years.

Special responsibilities

Dr Soultanov is Executive Chairman of the Board of Directors and responsible for the Research and Development activities of Solagran Limited.

Mr Denis Kilroy

Executive Director

Experience and expertise

Mr Kilroy 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. Denis holds Bachelor of Engineering and Master of Engineering Science degrees from the University of New South Wales.

Other current directorships
Mr Kilroy does not currently hold any other directorships in publicly listed companies and has not done so during the past 3 years.

Special responsibilities
Mr Kilroy is an Executive Director of the Company and responsible for the strategic planning and commercial objectives of Solagran Limited.

Mr Charles Pellegrino

Executive Director
Experience and expertise
Mr Pellegrino has operated in public practice for approximately 15 years as an accountant and financial advisor. He is the founder and director of the Stanford Group of Companies. Charles holds a Bachelor of Arts and a Bachelor of Business in Accounting. He provides Solagran with financial advice and assistance in capital-raising.

Other current directorships
Mr Pellegrino does not currently hold any other directorships in publicly listed companies and has not done so during the past 3 years.

Special responsibilities
Mr Pellegrino is an Executive Director of the Company (appointed 10 July, 2007) and is responsible for the establishment and implementation of the overseas production facilities of Solagran Limited.

Mr Peter Stedwell

Executive Director & Company Secretary
Experience and expertise
Mr Stedwell has over thirty five years extensive corporate experience in Finance Director and Company Secretarial roles. In the pharmaceutical industry he was previously Finance Manager and Company Secretary of E.R. Squibb and Sons (now Bristol-Myers Squibb).

Other current directorships
Mr Stedwell is currently a director of Echo Resources Limited. He was appointed to this position on 25 March 2004.

Special responsibilities
Mr Stedwell was appointed to the position of company secretary on 7 November 1997. He is responsible for the preparation of financial statements and reports including maintenance of accounts and company records. In addition, he is responsible for lodgement of all statements with the ASX and coordination of independent audits of the consolidated entity accounts.

Meetings of Directors

The number of meetings of the Company's Board of Directors held during the year ended 30 June 2007, and the number of meetings attended by each Director who held office during the financial year were:

Name	Meetings this Year Held whilst a Director	Directors' Meetings Attended
Dr V Soultanov	15	14
Mr D Kilroy	15	15
Mr C Pellegrino	15	14
Mr P Stedwell	15	15

Directors' Interests in Shares and Options

Ordinary 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	195,809	9,049,969	-	1,732,151
Mr D Kilroy	110,377	7,729,444	196,172	4,858,786
Mr C Pellegrino	-	3,966,361	-	3,562,090
Mr P Stedwell	-	930,000	-	-

Options

The relevant interests of each Director in options over ordinary shares in the Company are as follows:
Unlisted Options (exercisable at $0.20 on or before 30 April, 2008)

Name	Unlisted Options Directly held	Unlisted Options Indirectly held
Dr V Soultanov	-	1,200,000
Mr D Kilroy	30,000	202,487
Mr C Pellegrino	-	269,900
Mr P Stedwell	-	600,000

Remuneration Report (audited)

a) Principles used to determine the nature and amount of remuneration

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. Executive remuneration and other terms of reference are reviewed annually by the Board and are set at fair market value and not the performance of the Company.

b) Details of remuneration

Audited details of the nature and amount of each element of the emoluments of key management personnel of the Consolidated Entity and the Company for the year ended 30 June 2007 are set out in the following table:

Name	Directors Fees $		Consulting Fees $		Non-cash Benefits $		Total $	
	2007	2006	2007	2006	2007	2006	2007	2006
Executive Directors								
Dr V Soultanov	-	20,000	170,465	135,287	-	-	170,465	155,267
Mr D Kilroy	-	30,000	126,500	100,000	-	-	126,500	130,000
Mr C Pellegrino	40,909	10,000	-	-	-	-	40,909	10,000
Mr P Stedwell	-	-	96,000	96,000	-	-	96,000	96,000
Total	40,909	60,000	392,965	331,287	-	-	433,874	391,267

c) Service agreements (audited)

Currently there are no service agreements in place between the Company and any of its Directors.

d) Share-based compensation (audited)

Up to the date of this Report there were no options granted over unissued shares in the Company during or since the end of the financial year to any Director and any other officer of the Company as part of their remuneration.

Other transactions with directors (audited)

Dr V Soultanov, is a director and shareholder of Eastok Pty Ltd. Solagran Limited has paid Eastok Pty Ltd for the rental of storage space for office records, trial data and materials, trial equipment, raw materials and for staff services to Solagran Limited.

Amounts recognised as an expense

	2007 $	2006 $
Services provided by Eastok Pty Ltd	60,000	60,000

Mr D Kilroy is a director and shareholder of The KBA Consulting Group Pty Ltd. During the year Solagran Limited paid office rent and other overhead expenses to The KBA Consulting Group Pty Ltd.

Amounts recognised as an expense

	2007 $	2006 $
Office rental and overheads	157,634	99,877

Loans to directors

There were no loans made to the directors during the financial year.

Shares under option

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

Date options granted	Expiry date	Issue price of shares	Number under option
6 February 2006	30 April 2008	20 cents	36,743,866

Directors and Officers Insurance

The Company does not hold a Directors and Officers liability Policy.

Proceedings on Behalf of the Company

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

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

Details of the amounts paid or payable to the auditor (BDO Kendalls Audit & Assurance (WA) Pty Ltd) for non-audit services provided during the year are set out below.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

During the year the following fees for non-audit services were paid or payable for services provided by a related practice of the external auditors:

	2007 $	2006 $
Taxation Services	8,250	22,736

Auditor

BDO Kendalls Audit & Assurance (WA) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

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 page 42.

This Directors' Report is made in accordance with a resolution of the Board of Directors.

Dated at Melbourne the 17th day of September 2007.

Peter Stedwell
Director

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE, 2007

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE, 2007

		Consolidated entity		Parent entity	
		2007	2006	2007	2006
	Note	$	$	$	$
Revenue from continuing operations	2	161,916	21,717	37,375	21,717
Other income	2	-	70,079	-	70,079
Cost of goods sold		45,953	-	-	-
Employee benefits expense		524,218	406,999	-	-
Depreciation expense	3	6,550	4,300	-	-
Consultancy and contract expenses		623,813	802,057	231,833	541,687
Administration expenses		719,804	498,304	456,493	218,450
Marketing expenses		254,984	-	60,239	75,535
Manufacturing expenses		626,394	-	-	-
Clinical trial costs		1,006,142	486,909	4,641	134
Other expenses		4,022	6,228	-	1,151
Profit / (loss) before income tax expense		(3,649,964)	(2,113,001)	(715,831)	(745,161)
Income tax expense	4	-	-	-	-
Profit / (loss) from continuing operations		(3,649,964)	(2,113,001)	(715,831)	(745,161)
Profit / (loss) for the financial year		(3,649,964)	(2,113,001)	(715,831)	(745,161)
Profit / (loss) attributable to the members of Solagran Limited		(3,649,964)	(2,113,001)	(715,831)	(745,161)
Earnings per share for profit / (loss) from continuing operations attributable to the ordinary equity holders of the company:					
Basic earnings per share (cents)	17	(3.45)	(2.26)		
Diluted earnings per share (cents)	17	(3.45)	(2.26)		

The above Income Statement should be read in conjunction with the accompanying notes.

BALANCE SHEET
AS AT 30 JUNE, 2007

		Consolidated entity		Parent entity	
		2007	2006	2007	2006
	Note	$	$	$	$
ASSETS					
Current assets					
Cash and cash equivalents	5	2,241,141	1,067,257	2,241,141	1,064,037
Trade and other receivables	6	218,157	126,702	23,393	14,099
Inventories	7	1,372,854	1,401,750	-	-
Total current assets		3,832,152	2,595,709	2,264,534	1,078,136
Non-current assets					
Receivables	8	-	-	4,962,484	3,285,329
Other financial assets	9	1,117,189	-	9,867,189	8,750,000
Property, plant and equipment	10	34,470	28,198	-	-
Intangible assets	11	7,704,962	7,702,353	-	-
Total non-current assets		8,856,621	7,730,551	14,829,673	12,035,329
Total assets		12,688,773	10,326,260	17,094,207	13,113,465
LIABILITIES					
Current liabilities					
Trade and other payables	12	1,734,204	317,194	164,764	45,141
Borrowings	13	18,517	2,852	-	2,852
Total current liabilities		1,752,721	320,046	164,764	47,993
Total liabilities		1,752,721	320,046	164,764	47,993
Net assets		10,936,052	10,006,214	16,929,443	13,065,472
EQUITY					
Contributed equity	14	47,513,183	42,933,381	47,513,183	42,933,381
Reserves	15	230,000	230,000	230,000	230,000
Accumulated losses	16	(36,807,131)	(33,157,167)	(30,813,740)	(30,097,909)
Total equity		10,936,052	10,006,214	16,929,443	13,065,472

The above Balance Sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE, 2007

	Consolidated		Parent	
	2007	2006	2007	2006
	$	$	$	$
Total equity at the beginning of the financial year	10,006,215	9,921,095	13,065,472	11,612,512
Loss for the year	(3,649,964)	(2,113,001)	(715,831)	(745,161)
Total recognised income and expense for the year	(3,649,964)	(2,113,001)	(715,831)	(745,161)
Transactions with equity holders in their capacity as equity holders:				
Contributions of equity, net of transaction costs (note 14)	4,579,802	1,968,121	4,579,802	1,968,121
Share-based payment for consulting services	-	230,000	-	230,000
Total equity at the end of the financial year	10,936,053	10,006,215	16,929,443	13,065,472
Total recognised income and expense for the year is attributable to:				
Members of Solagran Limited	(3,649,964)	(2,113,001)	(715,831)	(745,161)

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE, 2006

		Consolidated entity		Parent entity	
		2007	**2006**	**2007**	**2006**
	Note	**$**	**$**	**$**	**$**
Cash flows from operating activities					
Payments to suppliers and employees		(2,410,694)	(1,713,375)	(645,463)	(704,213)
Receipts from customers		103,168	141,037	-	148,155
Interest received		37,375	21,717	37,375	21,717
Interest paid		(3,147)	(337)	(266)	(174)
Net cash (outflow) from operating activities	18	(2,273,298)	(1,550,958)	(608,354)	(534,515)
Cash flows from investing activities					
Payment for investment in SiBex		(1,117,189)	-	(1,117,189)	-
Payments for property, plant and equipment		(12,822)	(10,996)	-	-
Payments for intangible assets		(2,609)	(16,384)	-	-
Net cash (outflow) from investing activities		(1,132,620)	(27,380)	(1,117,189)	-
Cash flows from financing activities					
Proceeds from issue of shares		4,579,802	1,968,121	4,579,802	1,968,121
Loan provided to controlled entity		-	(1,750)	(1,677,155)	(1,038,497)
Proceeds from repayment of loan provided to controlled entity		-	5,800	-	2,615
Net cash inflow from financing activities		4,579,802	1,972,171	2,902,647	932,239
Net increase/(decrease) in cash and cash equivalents		1,173,884	393,833	1,177,104	397,724
Cash and cash equivalents at the beginning of the financial year		1,067,257	673,424	1,064,037	666,313
Cash and cash equivalents at the end of the financial year	5	2,241,141	1,067,257	2,241,141	1,064,037

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

Note 1. Summary of significant accounting policies

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

a) Basis of preparation

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

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Solagran Limited comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 Financial Instruments: Disclosure and Presentation.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative financial instruments) at fair value through profit and loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 29.

b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Solagran Limited ("company" or "parent entity") as at 30 June 2007 and the results of all subsidiaries for the year then ended. Solagran Limited and its subsidiaries together are referred to in this financial report as the Group or consolidated entity.

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 shareholding 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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

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

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Solagran Limited.

c) Income tax

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

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

Tax consolidation legislation

Solagran Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

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

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

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

d) Acquisition of assets

The purchase method of accounting is used for all acquisition of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price at the date of exchange unless, in rare circumstances, it can be demonstrated that the published market price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

e) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

f) Property, Plant & equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Costs may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

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

Furniture, fittings and equipment 5 years

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

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

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

g) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment.

(ii) Patents and trademarks

Patents and trademarks have an indefinite useful life and are carried at cost less any impairment losses. Patents and trademarks are tested for impairment annually.

h) Cash and cash equivalents

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

i) Employee benefits

(i) Wages and salaries, annual leave and sick leave

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

(ii) Long service leave

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

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the Solagran Limited Employee Option Plan and an employee share scheme. Information relating to these schemes is set out in note 28.

The fair value of options granted under the Solagran Limited Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and risk-free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

Under the employee share scheme, shares issued by the Solagran Employee Share Trust to employees for no cash consideration vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

j) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group 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.

k) Trade Receivables

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

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement in other expenses.

l) Revenue Recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Interest Income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

m) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders 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.

n) Inventories

Raw materials and stores, work in progress and finished goods

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

o) Segment Reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

p) Contributed Equity

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(q) Dividends

A 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 financial year but not distributed at balance date.

(r) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

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

(s) Investments and other financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non current assets. Loans and receivables are included in receivables in the balance sheet.

(t) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available for sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

(u) Borrowings

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 balance sheet date.

(v) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below:

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB Interpretation 10 (issued Sept 2006)	Interim Financial Reporting and Impairment	Prevents the reversal of impairment losses on goodwill, investments in equity instruments carried at cost and available-for-sale financial assets being reversed in the annual financial report.	Periods commencing on or after 1 November 2006	There will be no impact because the entity has not previously made any impairment write-downs on these items during an interim reporting period (or has not subsequently reversed such impairment write-downs).
AASB Interpretation 11 (issued Feb 2007)	AASB 2 – Group and Treasury Share Transactions	Clarifies the accounting treatment under AASB 2: Share-Based Payments where the parent entity grants rights to its equity instruments to employees of its subsidiaries, or where a subsidiary grants to its employees rights to equity instruments of its parent.	Periods commencing on or after 1 March 2007	There will be no impact because at the reporting date neither the entity nor its parent entity has granted any rights to equity instruments for employee services.
AASB Interpretation 11 (issued Feb 2007) (continued)				There will be no impact because at the reporting date the entity has not issued any equity instruments to employees of subsidiaries.
AASB 2007-4 (issued Apr 2007)	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]	Inserts accounting treatment options that currently exist under IFRSs back into AIFRSs and removes Australian-specific disclosures that were originally added into AIFRSs on first-time adoption from 1 January 2005.	Periods commencing on or after 1 July 2007	The entity does not intend to adopt any reinstated options for accounting treatment when the standard is adopted. As such. There will be no future financial impacts on the financial statements.
AASB 123 (revised Jun 2007)	Borrowing Costs	To the extent that borrowing costs are directly attributable to the acquisition, construction or production of a qualifying asset, the option of recognising borrowing costs immediately as an expense has been removed. Consequently all borrowing costs for qualifying assets will have to be capitalised.	Periods commencing on or after 1 January 2009	The transitional provisions of this standard only require capitalisation of borrowing costs on qualifying assets where commencement date for capitalisation is on or after 1 January 2009. As such, there will be no impact on prior period financial statements when this standard is adopted.

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 7 (issued Aug 2005)	Financial Instruments: Disclosures	Replaces the disclosure requirements relating to financial instruments currently included in AASB 132: Disclosure and Presentation	Annual periods commencing on or after 1 January 2007	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, various additional disclosures will be required about the group's and the parent entity's financial instruments.
AASB 101 (revised Oct 2006)	Presentation of Financial Statements	Removes Australian specific disclosure requirements.	Annual reporting periods commencing on or after 1 January 2007	As these changes result in a reduction of Australian-specific disclosures, there will be no impact on amounts recognised in the financial statements.
AASB Int 129 (issued Feb 2007)	Service Concession Arrangements: Disclosures [revised]	Increases disclosure requirements for service concession arrangements	Periods commencing on or after 1 January 2008	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, various additional disclosures will be required about service concession arrangements.
AASB 8 (Issued Feb 2007)	Operating Segments	Replaces the disclosure requirements of AASB 114: Segment Reporting.	Periods commencing on or after 1 January 2009	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, disclosures required for the operating segments will be significantly different to what is currently reported (business and geographical segment).
AASB 2005-10 (issued Sept 2005)	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]	Makes consequential amendments to AASB 132 and other standards as a result of releasing AASB 7. Mainly editorial changes.	Annual reporting periods commencing on or after 1 January 2007	Probably no need to mention this standard.
AASB 2007-1 (issued Feb 2007)	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	Reinstates transitional provisions into AASB 2: Share-based Payments arising from AASB Interpretation 11 amendments.	Periods commencing on or after 1 March 2007	Probably no need to mention this standard.

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 2007-7 (issued Jun 2007)	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	Editorial amendments only.	Periods commencing on or after 1 July 2007	Probably no need to mention this standard.
AASB Interpretation 4 (revised Feb 2007)	Determining whether an Arrangement contains a Lease [revised]	Scope has been amended to exclude service concession arrangements because these are now covered by AASB Interpretation 12.	Periods commencing on or after 1 January 2008	Probably no need to mention this standard.
AASB 2007-2 (issued Feb 2007)	Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]	Mainly editorial changes	Periods commencing on or after 1 January 2008	Probably no need to mention this standard.
AASB 2007-3 (issued Feb 2007)	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Mainly editorial changes	Periods commencing on or after 1 January 2009	Probably no need to mention this standard.
AASB 2007-6 (issued Jun 2007)	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	Mainly editorial changes.	Periods commencing on or after 1 January 2009	Probably no need to mention this standard.

Note 2. Revenue

	Consolidated entity		Parent entity	
	2007	2006	2007	2006
	$	$	$	$
From continuing operations				
Sales revenue				
Sale of goods	124,541	-	-	-
Other revenue				
Interest income	37,375	21,717	37,375	21,717
Total revenue	161,916	21,717	37,375	21,717
Other Income				
Tax rebate not provided for	-	70,079	-	70,079

Note 3. (Loss) from ordinary activities

a) Expenses				
Depreciation				
Property, Plant and equipment	6,550	4,300	-	-
Write-off of obsolete stock	183,041	79,000	-	-
Write-off of property, plant and equipment	-	768	-	-
Rental expense	157,634	159,877	157,634	99,877
Clinical trial costs	1,006,142	486,909	4,641	134

Note 4. Income tax

	2007 $	2006 $	2007 $	2006 $
a) Income tax expense				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
Under (over) provided in prior years	-	-	-	-
	-	-	-	-
b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit / (Loss) from continuing operations before income tax expense	(3,649,964)	(2,113,001)	(715,831)	(745,161)
Tax at the Australian tax rate of 30% (2006 - 30%)	(1,094,989)	(633,900)	(214,749)	(223,548)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Entertainment	3,871	1,838	3,871	-
Timing differences not recognised	3,006	(23,562)	237	(23,523)
Deferred tax assets relating to tax losses not recognised	1,088,112	655,624	210,641	247,071
	-	-	-	-
Prior year tax losses not recognised now recouped	-	-	-	-
Income tax expense	-	-	-	-
c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	9,357,658	5,730,616	2,495,935	1,793,799
Potential tax benefit at 30%	2,807,297	1,719,185	748,781	538,140
All unused tax losses were incurred by Australian entities				

Note 5. Current assets – Cash and cash equivalents

Cash and cash equivalents	2,241,141	1,067,257	2,241,141	1,064,037

Note 6. Current assets – Trade and other receivables

Other receivables	135,018	113,645	5,542	1,042
Prepayments	3,000	-	3,000	-
GST credit due from ATO	80,139	13,057	14,851	13,057
	218,157	126,702	23,393	14,099

Note 7. Current assets – Inventories

	Consolidated entity		Parent entity	
	2007	2006	2007	2006
	$	$	$	$
Raw materials	1,350,075	1,401,750	-	-
Finished goods	21,874	-	-	-
Work in progress	905	-	-	-
	1,372,854	1,401,750	-	-

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2007 amounted to $183,041 (2006: $79,000). The expense has been included in "clinical trial costs" in the income statement.

Note 8. Non current assets – Receivables

Loan to related parties (note 22b)	-	-	4,962,484	3,285,329

Note 9. Non current assets – Other financial assets

Investment in controlled entity - at cost	-	-	8,750,000	8,750,000
Investment in SiBex	1,117,189	-	1,117,189	-
	1,117,189	-	9,867,189	8,750,000

The fair value of financial assets approximates the carrying value.

Note 10. Non current assets – Property, plant and equipment

Furniture and office equipment - at cost	54,288	44,528	-	-
Less: Accumulated depreciation	(22,880)	(16,330)	-	-
	31,408	28,198	-	-
Research and development equipment - at cost	3,062	-	-	-
Total property, plant and equipment	34,470	28,198	-	-

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:

	Furniture and office equipment 2007 $	2006 $
Carrying amount at beginning of financial year	28,198	22,270
Additions	9,760	10,996
Write-off of property, plant and equipment	-	(768)
Depreciation expense	(6,550)	(4,300)
Carrying amount at end of financial year	31,408	28,198

	Research and development 2007 $	2006 $
Carrying amount at beginning of financial year	-	-
Additions	3,062	-
Depreciation expense	-	-
Carrying amount at end of financial year	3,062	-

Note 11. Non current assets – Intangibles

	Consolidated entity		Parent entity	
	2007	2006	2007	2006
	$	$	$	$
Goodwill	132,249	132,249	-	-
Patents and trademarks - at cost	7,572,713	7,570,104	-	-
Total intangibles	7,704,962	7,702,353	-	-

Patents and trademarks have an indefinite useful life and are carried at cost less any impaired losses. Patents and trademarks are tested for impairment annually. The recoverable amount of a CGU is determined based on value-in-use calculations.

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment and country of operation.

As per Note 24, the CGU is considered to be the Australian operations of the biomedical research, with the intangibles being allocated as such.

Note 12. Current liabilities – Trade and other payables

Unsecured liabilities				
Trade payables	1,581,294	317,194	11,854	45,141
Other payables	152,910	-	152,910	-
	1,734,204	317,194	164,764	45,141

Note 13. Current liabilities - Borrowings

Unsecured liabilities				
Bank overdraft	18,517	2,852	-	2,852

Note 14. Contributed equity

	Parent entity		Parent entity	
	2007	2006	2007	2006
	Shares	Shares	$	$
Share capital				
Ordinary shares - fully paid	116,454,190	101,781,227	42,577,181	39,477,117
Contributing 20 cent shares - paid to 10 cents	49,324,566	49,365,780	4,936,002	3,456,264
(2006 - paid to 7 cents)	165,778,756	151,147,007	47,513,183	42,933,381
Movements in ordinary share capital				
Opening balance - 1/7/05	101,776,427		39,476,157	
Exercise of options	4,800		960	
Closing balance - 30/6/06	101,781,227		39,477,117	
Conversion of contributing shares 20/10/06	634,220		117,776	
Placement 21/12/06	2,350,000		647,425	
Converstion of options 21/12/06	2,200,000		440,000	
Converstion of options 28/2/07	1,061,758		212,351	
Conversion of contributions 28/2/07	41,214		5,358	
Converstion of options 10/4/07	931,359		186,272	
Converstion of options 15/4/07	2,502,249		500,450	
Converstion of options 29/6/07	4,952,163		990,432	
Closing balance - 30/6/07	116,454,190		42,577,181	
Movements in contributing share capital				
Opening balance - 01/07/05	49,455,180		1,489,104	
Non-payment of Call No's. 2 & 3	(89,400)		-	
Proceeds of Call No's 2 & 3	-		1,967,160	
Closing balance - 30/6/06	49,365,780		3,456,264	
Forfeiture of contributions for non-payment 20/10/06	634,220		-	
Reissue & conversion of contributing shares 20/10/2006	(634,220)		-	
Conversion of contributing shares 28/2/07	(41,214)		-	
Call of 3 cents per share	-		1,479,738	
Closing balance - 30/6/07	49,324,566		4,936,002	

Note 15. Reserves

	Consolidated entity		Parent entity	
	2007	2006	2007	2006
	$	$	$	$
Share-based payment reserve	230,000	230,000	230,000	230,000

The share-based payment reserve records share options granted.
See note 28 for details.

Note 16. Accumulated losses

	Consolidated entity		Parent entity	
	2007	2006	2007	2006
	$	$	$	$
Accumulated losses at the beginning of the financial year	(33,157,167)	(31,044,165)	(30,097,909)	(29,352,748)
Net (loss) attributable to the members	(3,649,964)	(2,113,001)	(715,831)	(745,161)
Accumulated losses at the end of the financial year	(36,807,131)	(33,157,167)	(30,813,740)	(30,097,909)

Note 17. Earnings per share

	Consolidated entity	
	2007	2006
	Cents	Cents
Basic earnings per share	(3.45)	(2.26)
Diluted earnings per share	(3.45)	(2.26)
	Shares	Shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	105,711,729	101,777,637
	$	$
Earnings used in calculating basic and diluted earnings per share	(3,649,964)	(2,113,001)

Note 18. Reconciliation of cash flow from operations with profit/(loss) from ordinary activities after income tax expense

	Consolidated entity		Parent entity	
	2007	2006	2007	2006
	$	$	$	$
Profit/(loss) after income tax expense	(3,649,964)	(2,113,001)	(715,831)	(745,161)
Non-cash flows in (loss) from ordinary activites				
Depreciation	6,550	4,300	-	-
Write-off of property, plant & equipment	-	768	-	768
Write-off of inventory	183,040	79,000	-	-
Share-based payments	-	230,000	-	230,000
Changes in assets and liabilities:				
(Increase)/decrease in receivables	(91,455)	86,773	(9,294)	78,076
(Increase)/decrease in inventories	(154,144)	74,750	-	-
Increase/(decrease) in payables	1,417,010	83,600	116,771	(98,198)
Increase/(decrease) in borrowings	15,665	2,852	-	-
Net cash flow from operating activities	(2,273,298)	(1,550,958)	(608,354)	(534,515)

Note 19. Controlled entities

Controlled Entities Consolidated

			Percentage Owned	
	Country of incorporation	Class of shares	2007 %	2006 %
Solathera Limited	Australia	Ordinary	100	100

Note 20. 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 to 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.

	Note	Floating interest rate $	Fixed interest maturing in: 1 year or less $	Over 1 to 5 years $	More than 5 years $	Non interest bearing $	Total $
2007							
Financial assets							
Cash	5	2,241,141	-	-	-	-	2,241,141
Receivables	6	-	-	-	-	218,157	218,157
Total financial assets		2,241,141	-	-	-	218,157	2,459,298
Weighted average interest rate		5.40%					
Financial liabilities							
Payables	12	-	-	-	-	1,734,204	1,734,204
Borrowings	13	18,517	-	-	-	-	18,517
Total financial liabilities		18,517	-	-	-	1,734,204	1,752,721
Net financial assets/(liabilities)		2,222,624	-	-	-	(1,516,047)	706,577

	Note	Floating interest rate $	Fixed interest maturing in: 1 year or less $	Over 1 to 5 years $	More than 5 years $	Non interest bearing $	Total $
2006							
Financial assets							
Cash at bank	5	1,067,257	-	-	-	-	1,067,257
Receivables	6	-	-	-	-	126,702	126,702
Total financial assets		1,067,257	-	-	-	126,702	1,193,959
Weighted average interest rate		5.00%					
Financial liabilities							
Payables	12	-	-	-	-	317,194	317,194
Borrowings	13	2,852	-	-	-	-	2,852
Total financial liabilities		2,852	-	-	-	317,194	320,046
Net financial assets/(liabilities)		1,064,405	-	-	-	(190,492)	873,913

b) Credit risk exposure

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 provision 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.

Note 21. Events occurring subsequent to balance date

On 10 July, 2007 the Board announced the appointment of Mr Charles Pellegrino as an Executive Director. Mr Pellegrino was previously a Non-Executive Director.

The Company announced on 18th July, 2007 that it had received formal advice from the Russian Ministry of Health that the pharmaceutical registration of Bioeffective R and Ropren had been finalised.

On 6 August, 2007 the Directors announced details of a General Meeting of Shareholders to be held on Monday 17 September, 2007.

The Directors provided details of the proposed pricing and plans to supply Ropren outside of Russia on 15 August, 2007.

On 23 August, 2007 the Directors announced the details of a planned visit to Australia by Professor Anatoly Zhebrun, the Director of the Pasteur Institute in St Petersburg, Russia.

The Company announced the completion of a Strategic Partnership Agreement with BioProspect on 23 August, 2007.

Note 22. Related party transactions

a) Key management personnel

Disclosures relating to key management personnel are set out in Note 23.

b) Wholly owned group

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

Transactions between Solagran Limited and Solathera Limited during the years ended 30 June 2007 and 30 June 2006 consisted of loans advanced by Solagran Limited. There is no fixed term for repayment of the loans advanced by Solagran Limited and there is no interest payable on the loans advanced.

Aggregate amounts receivable from Solathera Limited at balance date:

	2007	2006
	$	$
Non current receivables (loans)	4,962,484	3,285,329

c) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions and no more favourable than those available to other parties unless otherwise stated.

A director, Dr V Soultanov, is a director and shareholder of Eastok Pty Ltd. Solagran Limited has paid Eastok Pty Ltd for the rental of storage space for office records, trial data and materials, trial equipment, raw materials and for staff services to Solagran Limited.

Amounts recognised as an expense	2007	2006
Services provided by Eastok Pty Ltd	60,000	60,000

Mr D Kilroy is a director and shareholder of The KBA Consulting Group Pty Ltd. During the year Solagran Limited paid office rent and other overhead expenses to The KBA Consulting Group Pty Ltd.

Amounts recognised as an expense	2007	2006
Office rental and overheads	157,634	99,877

Note 23. Key management personnel disclosures

a) Directors

The following persons are key management personnel of Solagran Limited who are also the directors of the company during the financial year:

Chairman – executive
Dr V Soultanov

Executive directors
Mr P Stedwell
Dr D Kilroy

Non-executive director
Mr C Pellegrino

b) Key management personnel

During the financial year the consolidated entity had a Chief Operating Officer for the period 26th March 2007 to 30th June 2007.

Remuneration of directors and executives

Principles used to determine the nature and amount of remuneration
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. Executive remuneration and other terms of reference are reviewed annually by the Board and are set at fair market value and not the performance of the Company.

Details of remuneration
Details of the remuneration of each director of the consolidated entity, including their personally related entities, are set out in the following tables:

Directors 2007	Primary			Post-employment		Equity	
	Cash salary and fees	Cash bonus	Non monetary benefits	Super-annuation	Retirement benefits	Options	Total
Name	$	$	$	$	$	$	$
Executive							
Dr V Soultanov	50,465	-	-	120,000	-	-	170,465
Mr P Stedwell	96,000	-	-	-	-	-	96,000
Mr D Kilroy	126,500	-	-	-	-	-	126,500
Non-executive							
Mr C Pellegrino	40,909	-	-	-	-	-	40,909
Total	313,874	-	-	120,000	-	-	433,874

The Chief Operating Officer was employed for the period 26th March 2007 to 30 June 2007 at a cost of $37,050.

Directors 2006	Primary			Post-employment		Equity	
Name	Cash salary and fees $	Cash bonus $	Non monetary benefits $	Super-annuation $	Retirement benefits $	Options $	Total $
Executive							
Dr V Soultanov	155,267	-	-	-	-	-	155,267
Mr P Stedwell	96,000	-	-	-	-	-	96,000
Mr D Kilroy	130,000	-	-	-	-	-	130,000
Non-executive							
Mr C Pellegrino	10,000	-	-	-	-	-	10,000
Total	391,267	-	-	-	-	-	391,267

Options provided as remuneration

The relevant interests of each Director in options over ordinary shares in the Company are as follows:
Unlisted Options (exercisable at $0.20 on or before 30 April, 2008)

2007

Name	Unlisted Options Directly held	Unlisted Options Indirectly held
Dr V Soultanov	-	1,200,000
Mr D Kilroy	30,000	202,487
Mr C Pellegrino	-	269,900
Mr P Stedwell	-	600,000

2006

Name	Unlisted Options Directly held	Unlisted Options Indirectly held
Dr V Soultanov	-	1,200,000
Mr D Kilroy	30,000	402,487
Mr C Pellegrino	-	269,900
Mr P Stedwell	2,000	663,988

Shareholdings

The number of shares in the company held during the financial year by each Director of Solagran Limited, including their personally related entities, are set out below.

2007 Name	Balance at the start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
Directors of Solagran Limited				
Ordinary shares				
Dr V Soultanov	495,809	-	(300,000)	195,809
Dr V Soultanov (indirectly)	7,307,633	-	895,000	8,202,633
Mr D Kilroy	110,377	-	-	110,377
Mr D Kilroy (indirectly)	6,487,728	-	395,000	6,882,728
Mr P Stedwell	12,000	-	(12,000)	-
Mr P Stedwell (indirectly)	800,000	-	27,012	827,012
Mr C Pellegrino (indirectly)	3,853,549	-	62,812	3,916,361
Contributing shares				
Dr V Soultanov	912,456	-	(912,456)	-
Dr V Soultanov (indirectly)	1,682,151	-	40,000	1,722,151
Mr D Kilroy	196,172	-	-	196,172
Mr D Kilroy (indirectly)	4,426,442	-	422,344	4,848,786
Mr C Pellegrino (indirectly)	3,562,090	-	-	3,562,090

The company has taken advantage of the relief provided by ASIC Class Order 06/50 and has transferred the detailed remuneration disclosures to the remuneration report within the directors' report.

2006 Name	Balance at the start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
Directors of Solagran Limited				
Ordinary shares				
Dr V Soultanov	453,674	-	42,135	495,809
Dr V Soultanov (indirectly)	7,307,633	-	-	7,307,633
Mr D Kilroy	110,377	-	-	110,377
Mr D Kilroy (indirectly)	6,447,728	-	40,000	6,487,728
Mr P Stedwell	12,000	-	-	12,000
Mr P Stedwell (indirectly)	640,000	-	160,000	800,000
Mr C Pellegrino (indirectly)	3,823,549	-	30,000	3,853,549
Contributing shares				
Dr V Soultanov	912,456	-		912,456
Dr V Soultanov (indirectly)	3,369,651	-	(1,687,500)	1,682,151
Mr D Kilroy	196,172	-	-	196,172
Mr D Kilroy (indirectly)	6,225,036	-	(1,798,594)	4,426,442
Mr C Pellegrino (indirectly)	4,237,090	-	(675,000)	3,562,090

Note 24. Segment information

The consolidated entity conducts biomedical research with *Bioeffectives*® in Australia and Russia.

Secondary reporting – geographical segments

	Segment revenues from sales to external customers		Carrying amount of segment assets		Acquisition of property, plant and equipment, intangibles and other non current segment assets	
	2007	2006	2007	2006	2007	2006
	$	$	$	$	$	$
Australia	124,541	-	12,684,273	10,326,260	12,822	10,996
Russia	-	-	-	-	-	-
	-	-	12,684,273	10,326,260	12,822	10,996

Accounting policies

Segment information is prepared in conformity with Accounting Standard AASB 114 Segment Information and the following accounting policy:

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of cash, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of accumulated depreciation and amortisation. While most of these assets can be directly attributed to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors. Segment assets and liabilities do not include deferred income taxes.

Note 25. Remuneration of auditors

During the year the following amounts were paid to the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated entity		Parent entity	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Assurance services				
Audit services				
BDO Kendalls Audit & Assurance (WA) Pty Ltd	12,000	11,900	12,000	11,900
D Penman & Co	2,500	2,000	-	-
Total remuneration for audit services	14,500	13,900	12,000	11,900
Other Services				
Taxation services provided by related practice of auditor	8,250	22,736	8,250	22,736

Note 26. Contingencies

The parent entity and consolidated entity had no contingent liabilities or contingent assets at 30th June 2007.

Note 27. Capital and Leasing Commitments

a) Capital commitments

The parent entity has a commitment to issue 3,000,000 fully paid ordinary shares to the shareholders of SibEX to purchase 60% of the issued capital of SibEX. This issue has to be completed before 30th November, 2007. The shares are to be issued at a cost base of 26 cents per share as payment of $780,000 towards the total consideration.

Commitment to issue 3,000,000 fully paid ordinary shares to the shareholders of SiBex				
Within one year	780,000	-	780,000	-
Later than one year but not later than 5 years	-	-	-	-
	780,000	-	780,000	-

Commitment to complete medical trial with Swinburne University:				
Within one year	-	50,000	-	50,000
Later than one year but not later than 5 years	-	-	-	-
	-	50,000	-	50,000

b) Lease commitments

The parent entity and consolidated entity had no lease commitments at 30th June 2007.

Note 28. Share-based Payments

There were no share-based payments made in the year ended 30th June, 2007.

At balance date, no unlisted share options have been exercised by Solana Co Ltd from the 4,600,000 unlisted options issued to Solana on 6th February, 2006. The unlisted options expire on 30th April, 2008.

The following share-based payment arrangements existed at 30th June 2006.

On 6th February 2006, 4,600,000 unlisted share options were granted to Solana Co Ltd to accept ordinary shares at an exercise price of $0.20 each. The options are exercisable immediately upon issue. The options hold no voting or dividend rights and are not transferable. At balance date, no share option has been exercised.

The options outstanding at 30th June 2006 had a weighted average exercise price of $0.20 and a weighted average remained contractual life of 1.83 years.

The weighted average fair value of the options granted during the year was $0.20.

The price was calculated by using a Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price	$0.20
Weighted average life of option	2.25 years
Underlying share price	$0.19
Expected share price volatility	36%
Risk free interest rate	5.96%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Share-based payment expense

The share-based payment expense incurred during the financial year ended 30th June 2006 was $230,000.

Note 29. Critical accounting estimates and assumptions

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

(i) Estimated impairment of intangible assets

The Group tests annually whether intangible assets with an indefinite useful life have suffered any impairment, in accordance with the accounting policy stated in note 1(e). The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions. Refer note 11 for details of these assumptions and the potential impact of changes to these assumptions.

Note 30. Financial Risk Management

The Group's activities expose it to a variety of financial risks; market risk (including currency risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

(a) Market Risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the US dollar.

(b) Credit Risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions.

(d) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 21 to 64 are in accordance with the Corporations Act 2001, including:
  (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(c) the audited remuneration disclosures set out on pages 7 to 8 of the directors' report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

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

This declaration is made in accordance with a resolution of the directors.

Peter Stedwell
Director

Dated at Melbourne on this 17th day of September 2007.

BDO Kendall

BDO Kendalls Audit & Assurance (WA) P
128 Hay St
Subiaco WA 6008
PO Box 700 West Perth WA 6872
Phone 61 8 9380 8400
Fax 61 8 9380 8499
aa.perth@bdo.com.au
www.bdo.com.au

INDEPENDENT AUDITOR'S REPORT

To the members of Solagran Limited

We have audited the accompanying financial report of Solagran Limited ('the company') and the consolidated entity for the year ended 30 June 2007. The financial report comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes for both the company and consolidated entity, and the directors' declaration for the year then ended. The consolidated entity comprises both the company and the entities it controlled at the year's end or during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the consolidated entity has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*.

Directors' Responsibility for the Financial Report and the AASB 124 Remuneration Disclosures Contained in the Directors' Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001.* This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated and parent financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

Disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the company on 17th September 2007, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion on the Financial Report

In our opinion the financial report of Solagran Limited is in accordance with the Corporations Act 2001, including:

a) Giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date;

b) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

c) The consolidated financial statements and notes also comply with International Financial Reporting Standards, except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 Financial Instruments: Disclosure and Presentation.

Auditor's Opinion on the AASB 124 Remuneration Disclosures Contained in the Directors' Report

In our opinion the remuneration disclosures that are contained in the remuneration report, paragraphs (a) to (d) comply with Accounting Standard AASB 124.

KENDALLS AUDIT & ASSURANCE PTY (WA)

BDO Kendalls
Peter Toll

Peter Toll
Director

Perth, 17th September 2007

BDO Kendall

BDO Kendalls Audit & Assurance (WA) F
128 Hay St
Subiaco WA 6008
PO Box 700 West Perth WA 6872
Phone 61 8 9380 8400
Fax 61 8 9380 8499
aa.perth@bdo.com.au
www.bdo.com.au

17 September 2007

The Directors
Level 11
492 St Kilda Road
MELBOURNE VIC 3004

Dear Sirs

DECLARATION OF INDEPENDENCE BY BDO KENDALLS AUDIT & ASSURANCE (WA) PTY LTD TO THE DIRECTORS OF SOLAGRAN LIMITED

As lead auditor of Solagran Limited for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Solagran Limited and the entities it controlled during the year.

Yours faithfully
BDO KENDALLS AUDIT & ASSURANCE (WA) PTY LTD

BDO Kendalls
Peter Toll

Peter Toll
Director

Solagran Limited (the Company) and the Board of Directors (the Board) are committed to Corporate Governance and, to the extent they are applicable to the Company, have adopted the 10 Principles of Good Corporate Governance and Best Practice Recommendations as published by the Australian Stock Exchange (ASX) Corporate Governance Council in March 2003.

The Company and its controlled entity together are referred to as the Group in this Statement.

The relationship between the Board and senior management is critical to the Group's long-term success. The Directors are responsible to the shareholders for the performance of the Company in both the short and the longer term. Their key focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are delegated by the Board to the Chief Operating Officer or when that position is not filled, the Executive Directors.

This Statement outlines the main corporate governance practices in place during the financial year, noting where practices depart from the ASX Corporate Governance Council recommendations and the Board's reasons for an alternate approach. Where the Board supports a recommendation, but it has not yet been fully implemented, a complementary policy or practice has also been identified.

The following additional information about the Company's corporate governance practices is set out on the Company's website at www.solagran.com

- Board Charter;
- Summary of policy on securities trading;
- Summary of continuous disclosure policy;
- Summary of arrangements regarding communication with shareholders;
- Summary of Company's risk management policy; and
- Code of Conduct.

Principle 1: Lay a solid foundation for management and oversight

Council Recommendation 1.1: Formalise and disclose the functions reserved to the Board and those delegated to management.

Responsibilities of the Board of Directors

The Board of Directors of Solagran Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business of the Company on behalf of shareholders, by whom they are elected and to whom they are accountable. The Board is responsible for setting corporate direction, defining policies and monitoring the business of the Company to ensure that it is conducted appropriately and in the best interests of shareholders. Details of the Board's Charter are located on the Company's website (www.solagran.com).

The Board's key objectives are to:

- Increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders;
- To ensure the Company is properly managed and operates with effective cost and risk controls;
- To ensure that the Company invests funds in properly managed research projects; and
- To ensure that the Company's products (Bioeffectives) are given the opportunity to become commercial and viable products in the worldwide market.

Principle 2: Structure the Board to Add Value

Composition of the Board

Council Recommendation 2.1: The majority of the Board should be Independent Directors'.

There are no Independent Directors' on the Board.

All Directors are Executive Directors.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of appointing additional independent non-executive Directors.

Details of the members of the Board, their experience and expertise are set out in the Directors' Report in the Annual Report.

Council Recommendation 2.2: The chairperson should be an Independent Director.

Dr Vagif Soultanov is the Chairman of the Company. He is not an Independent Director.

The Board believes that Dr Vagif Soultanov is the person who best understands the technical nature and background of the Company's business. Dr Soultanov is highly qualified in the areas of Solagran's business pursuit and can make informed decisions on all relevant issues falling within the scope of the role of a Chairman.

The Board considers that given these factors the appointment of an independent Chairman is not justified.

Chairman and Chief Executive Officer
Council Recommendation 2.3: The roles of chairperson and Chief Executive Officer should not be exercised by the same individual.

Dr Vagif Soultanov is the Chairman of the Company and currently the Company does not have a Chief Executive Officer.

The Chairman is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Company's staff and management.

The Executive Directors currently are responsible for implementing Group strategies and policies.

Nomination Committee
Council Recommendation 2.4: The Board should establish a Nomination Committee.

Currently a separate Nomination Committee has not been formed. The Board considers that at this stage in the Company's development, no benefits or efficiencies are to be gained by delegating this function to a separate committee.

The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification or attributes required in new Directors. Where appropriate independent consultants could be engaged to identify possible new candidates for the Board.

Independent Professional Advice
With the prior approval of the Chairman, Directors may seek independent professional advice at the Company's expense.

Term of Office
The Company's Constitution specifies that Director's must retire from office on a two year rotational basis.

Principle 3: Establish a Code of Conduct
Council Recommendation 3.1: Establish a Code of Conduct to guide the Directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) and any other key executives as to:

3.1.1 The practices necessary to maintain confidence in the Company's integrity;
3.1.2 The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company has adopted a Code of Conduct to guide the Directors and Officers.

Prior to the adoption of the formal written Code of Conduct, the Board considers that its business practices, as overseen by the Board, were the equivalent to the Code of Conduct formally adopted.

Code of Conduct
All Directors and Officers will:

- Actively promote the highest standards of ethics and integrity in carrying out their duties for the Company;
- Disclose any actual or perceived conflicts of interest of a direct or indirect nature of which they become aware and which they believe could compromise in any way the reputation or performance of the Company;
- Respect confidentiality of all information of a confidential nature, which is acquired in the course of the Company's business and not disclose or make improper use of such confidential information to any person unless specific authorisation is given for disclosure or disclosure is legally mandated;
- Deal with the Company's customers, suppliers, competitors and each other with the highest level of honesty, fairness and integrity and to observe the rule and spirit of the legal and regulatory environment in which the Company operates; and
- Protect the assets of the Company to ensure availability for legitimate business purposes and ensure all corporate opportunities are enjoyed by the Company and that no property, information or position belonging to the Company or opportunity arising from these are used for personal gain or to compete with the Company.

Trading in the Company's Securities by Directors, Officers and Employees
Council Recommendation 3.2: Disclose the policy concerning trading in Company securities by Directors, Officers and employees.

The Board has adopted a policy and procedure on dealing in the Company's securities by Directors, Officers and employees which prohibits dealing in the Company's securities when those persons possess unpublished market price sensitive information. It also requires Directors to notify the Chairman of the Company when trading in the Company occurs. In the case of the Chairman, he must notify the Company Secretary.

Directors must also notify the Company Secretary of any trade in the Company's securities within 2 days of such trade occurring so that the Company Secretary can comply with ASX Listing Rule 3.19A.2 requirement to notify ASX of any change in a notifiable interest held by a Director.

Principle 4: Safeguard Integrity in Financial Reporting

Council Recommendation 4.1: Require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

The Company Secretary of the Company on behalf of the Board and after a resolution passed by the Board signs off the Directors' Report, Directors' Declaration and an audit representation letter addressed to the Auditor, which states that the Company's financial reports presents a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

Audit Committee
Council Recommendation 4.2: The Board should establish an Audit Committee.

A separate Audit Committee has not been formed. The Board considers that at this stage in the Company's development, no benefits or efficiencies are to be gained by delegating this function to a separate committee.

The Board as a whole undertakes the functions normally associated with an Audit Committee.

Council Recommendation 4.3: Structure the Audit Committee so that it consists of:

- Only non-executive Directors;
- A majority of Independent Directors;
- An independent chairperson, who is not the chairperson of the Board; and
- At least 3 members.

Refer Council Recommendation 4.2.
Council Recommendation 4.4: The Audit Committee should have a formal charter.

Refer Council Recommendation 4.2.

Principle 5: Make Timely and Balanced Disclosure

Continuous Disclosure

Council Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level of that compliance.

The Company has adopted a Continuous Disclosure Policy that requires all Directors, Officers and Executives to inform the Chairman and the Company Secretary of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy sell or hold the Company's securities.

The Company Secretary is responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Chairman and the Board.

Prior to the adoption of the Continuous Disclosure Policy there were no written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability for the compliance however the policies and procedures enunciated in the formally adopted policy were applied prior to their adoption in writing.

The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the Continuous Disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

Principle 6: Respect the Rights of Shareholders

Shareholder Communication

Council Recommendation 6.1: Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

All information disclosed to the ASX is posted on the Company's web site as soon as it is disclosed to the ASX.

The Company's communication strategy requires communication with shareholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Company.

External Auditor

Council Recommendation 6.2: Request the External Auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the Audit and the preparation and content of the Auditor's Report.

The External Auditor, BDO Kendalls Audit & Assurance (WA) Pty Ltd, is requested to attend the Annual General Meeting of the Company and be available to answer shareholder questions about the conduct of the Audit and the preparation and content of the Audit Report.

Principle 7: Recognise and Manage Risk

Risk Management

Council Recommendation 7.1: The Board or appropriate Board Committee should establish policies on risk oversight and management.

The Board is responsible for risk management and control and they examine and consider areas of significant business risk on an ongoing basis and implement policy to minimise exposure to these risks.

Arrangements put in place by the Board to monitor risk management include:

- Technical review of all products prior to clinical trials and identification of possible product risk factors in trials;
- Monitoring all product liability and insurance policies;
- Constant review of cash resources and cash projection; and
- Review of staff structure and roles.

The risk management policy of the Company will continue to be developed as its operations and risks evolve.

Council Recommendation 7.2: The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state in writing that:

7.2.1 The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board;

7.2.2 The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Company complies with this recommendation.

Principle 8: Encourage Enhanced Performance

Performance Appraisal

Council Recommendation 8.1: Disclose the process for performance evaluation of the Board, its committees and individual Directors, and key executives.

The Board has adopted a self-evaluation process to measure its own performance during each financial year. This process includes a review in relation to the composition and skills mix of the Directors of the Company.

Principle 9: Remunerate Fairly and Responsibly

Council Recommendation 9.1: Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to Directors and key executives and corporate performance.

The Board determines the level of remuneration for Directors and executives based on the provision of services to the Company for executive management and for their services as Directors. Remuneration levels were set with reference to industry and market conditions and with regard to the size, nature and volume of operations and overall market capitalisation of the Company. In addition, all matters of remuneration will continue to be determined in accordance with the Corporations Act 2001 requirements, especially in respect of related party transactions. That is, no Directors participate in any deliberations regarding his own remuneration or related issues.

Remuneration Committee

Council Recommendation 9.2: The Board should establish a Remuneration Committee.

A separate Remuneration Committee has not been formed. The Board considers that based on the Company's stage of development, no benefits or efficiencies are to be gained by delegating this function to a separate committee.

Council Recommendation 9.3: Clearly distinguish the structure of the non-executive Directors' remuneration from that of executives.

The Company complies with this recommendation.

Council Recommendation 9.4: Ensure that the payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

The Company complies with this recommendation.

Principle 10: Recognise the Legitimate Interests of Stakeholders

Council Recommendation 10.1: Establish and disclose a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders.

The Board of Directors has adopted a Code of Conduct.

The Code of Conduct formalises, in written form, business practices and principles previously adopted by the Board.

ASX
AUSTRALIAN STOCK EXCHANGE

Range of Shares as at 28 September, 2007

Range	Total Holders	Units	% Issued Capital
1-1,000	229	130,289	0.11
1,001-5,000	626	1,906,028	1.62
5,001-10,000	342	2,886,104	2.45
10,001-100,000	618	20,718,857	17.58
More than 100,001	117	92,219,035	78.24
Total	1,932	117,860,313	100.00

Top 20 Holders as at 28 September, 2007

Fully Paid Ordinary Shares	Number	%
ANZ Nominees Limited	47,781,970	40.54
Citicorp Nominees Pty Limited	4,658,151	3.95
Avondry Pty Ltd	3,072,090	2.61
Larea Enterprises Limited	2,350,000	1.99
Eastok Pty Ltd	1,888,883	1.60
Mr. Barry Andrews	1,634,080	1.39
Mr Denis Kilroy & Ms Fiona Brown	1,410,108	1.20
Nova Vita Pty Ltd	1,321,255	1.12
Dasit Pty Ltd	1,000,000	0.85
Comp-World Limited	900,000	0.76
Casey Super Pty Ltd	857,000	0.73
Mr Peter Stedwell	846,512	0.72
Mr Dmitry Simkin	800,000	0.68
Mr Geoffrey Mark Cottle	582,500	0.49
Mr Dmitry Simkin	577,979	0.49
UBS Wealth Management	512,176	0.43
B Mitchell Nominees Pty Ltd	500,000	0.42
Mr Russell Frajman	500,000	0.42
Mr Timothy Francis Messenger	500,000	0.42
Ponterosa Holdings Pty Ltd	500,000	0.42
Report Total	72,192,704	61.23
Remainder	45,667,609	38.77
Grand Total	117,860,313	100.00

Top 20 Holders as at 28 September, 2007

$0.20 Contributing Shares (paid to $0.10)	Number	%
Petrograd Investments Pty Ltd	11,250,000	23.13
ANZ Nominees Limited	9,241,359	19.00
Mr Denis Kilroy & Ms Fiona Brown	3,431,810	7.05
Mr Raymond Tang & Ms Kristin Lim	1,800,000	3.70
Eastok Pty Ltd	1,682,151	3.46
Mr Charles Todd & Ms Andrea Treble	1,200,000	2.47
Mr Stephen Jacob Investments	930,546	1.91
Kilroy Brown & Associates Pty Ltd	924,033	1.90
Marat Basyrov	912,456	1.88
Lois Lane Investments Pty Ltd	750,000	1.54
Paul Joseph Davies Thomas	718,678	1.48
Mr Darryl Arthur Wiggs & Mrs Nadia Wiggs	700,000	1.44
Mr Bruce Raymond McLoughlin	645,290	1.33
Mr David Christopher Kemp	607,998	1.25
Hartkon Investments Pty Ltd	563,000	1.16
Mr Steven Wiggs	557,000	1.14
Mr Lucius Vilkinas	524,041	1.08
Mr Perry Kenneth	485,400	1.00
Kilroy Brown & Associates Pty Ltd	452,943	0.93
Mr Darrell Grey Shannan Grey	400,000	0.82
Report Total	37,776,705	77.67
Remainder	10,869,903	22.33
Grand Total	48,646,608	100.00

Top 20 Holders as at 28 September, 2007

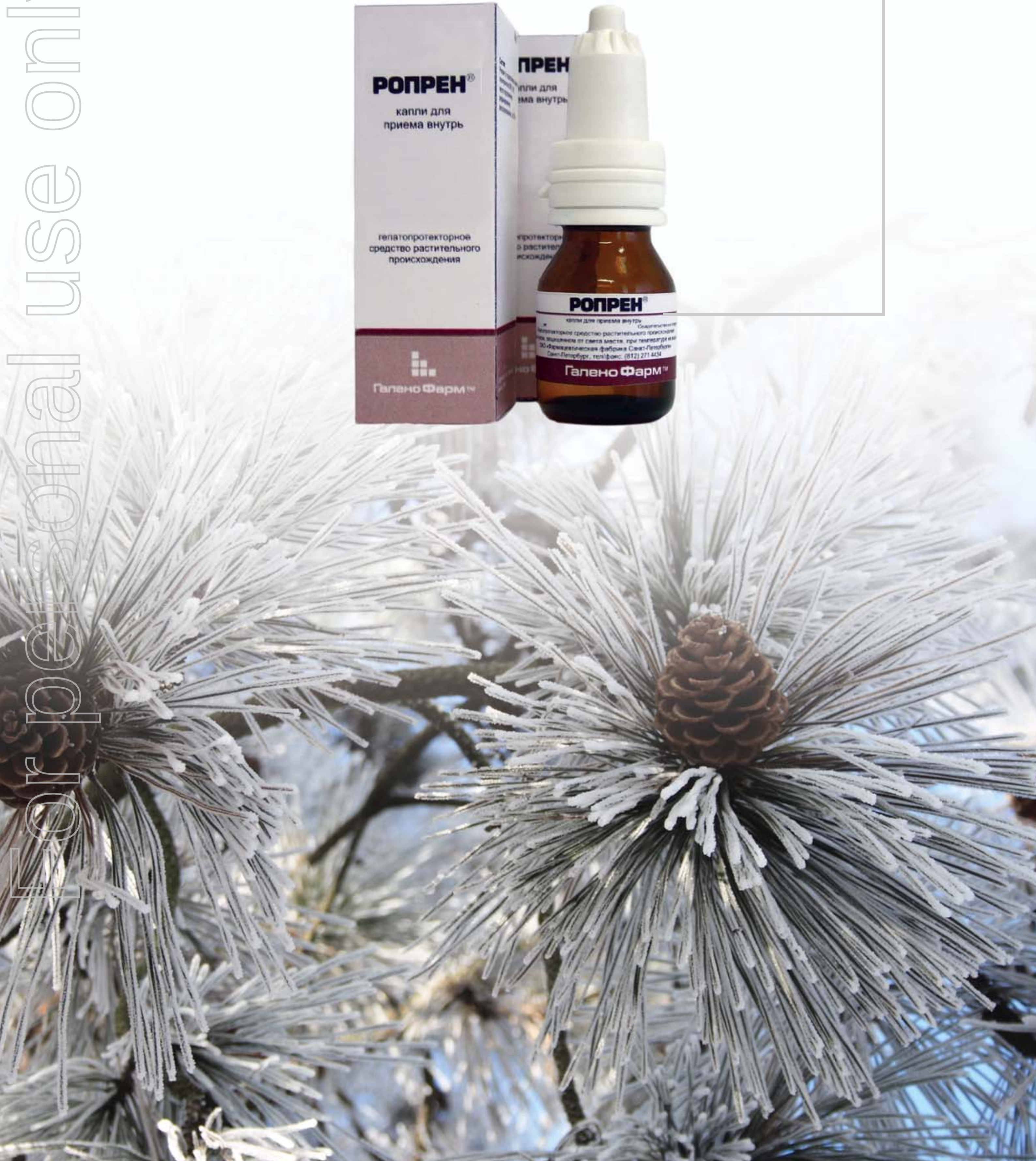
Unlisted Options Expiring 30 April, 2008 @ $0.20	Number	%
Green Frog Nominees Pty Ltd	10,000,000	27.22
Avondry Pty Ltd	3,550,000	9.66
Petrograd Investments Pty Ltd	2,600,000	7.08
Mr Dmitry Simkin	2,000,000	5.44
Fannie Bay Super Fund	1,470,000	4.00
Leo Khouri	1,250,000	3.40
Pat Volpe	1,250,000	3.40
Eastok Pty Ltd	1,200,000	3.27
Stephen Jacob Investments	1,185,000	3.23
Anna Carina Pty Ltd	800,000	2.18
Finance Associates Pty Ltd	755,000	2.05
Mr David McLauchlan	620,000	1.69
Mr Peter Stedwell	600,000	1.63
Mr Valentino Ignatius Adami	504,000	1.37
Mr Russell Frajman	500,000	1.36
Superman Investments Pty Ltd	500,000	1.36
Mr Lucius Vilkinas	500,000	1.36
Avondry Pty Ltd	400,000	1.09
Mr Philip Laurence Heading	400,000	1.09
Firefield Pty Ltd	308,500	0.84
Report Total	30,392,500	82.72
Remainder	6,351,366	17.28
Grand Total	36,743,866	100.00

Voting Rights

Each shareholder is entitled to recieve notice of 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, on a show of hands or a poll, one vote for each share held.

Substantial Shareholder: Solamind Pty Ltd. 38,534,662 ordinary shares as at 28 September, 2007.

saving lives with bioeffectives



For personal use only

Solagran Limited
ACN 002 592 396
Level 11 492 St Kilda Road Melbourne 3004 Victoria Australia
Tel 61 3 9820 2699 Fax 61 3 9820 3155