SUDA LTD

(formerly Eastland Medical Systems Ltd)
AND CONTROLLED ENTITIES

ABN: 35 090 987 250

Financial Report For The Year Ended
30 June 2013

CORPORATE DIRECTORY

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	Mr Michael Stewart	Non-Executive Director
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	Listing codes:	
	Ordinary Shares	SUD

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CHAIRMAN'S REPORT

The 2013 financial year has been a year of change, relaunching the company and laying foundation for future growth.

In late 2012 we introduced the change of name to Suda Ltd. This was part of a strategy to move away from the old business of Eastland Medical Systems Ltd and develop our drug delivery technology strategy.

In 2013 we successfully completed the Phase III clinical trial of ArTiMist™ which for so long has been the single product of the business. The results were far better than expected with a clear demonstration that ArTiMist™ is superior to IV quinine for the treatment of severe paediatric malaria.

The acquisition of the NovaDel oro-mucosal drug delivery technology is the gateway to new business opportunities. The acquisition was completed in August 2013 and provides Suda Ltd with a pipeline of new projects for treatment of migraine, erectile dysfunction, chemotherapy-induced nausea and vomiting and a whole range of other therapeutic areas with access to over 300 compounds.

The image of the girl with the dandelion reflects the simplicity of our drug delivery technology. The technology is based on a spray into the mouth. It is simple to use, whether for a child in Africa suffering from the onset of malaria; a migraine sufferer or a cancer patient that, due to the effects of chemotherapy, is unable to swallow a tablet.

Suda Ltd will take existing drugs, whether on patent or outside patent, and change the way that drug is delivered. The sublingual delivery of Artemether for treatment of malaria is an excellent example. Moreover, NovaDel has already carried out significant development on Sumatriptan for treatment of migraines, Sildenafil for erectile dysfunction and Midazolam for pre-procedural anxiety, These drugs can now be delivered via a simple, easy to administer oral spray. As we move forward Suda will collaborate with partners to carry out further product development in key therapeutic areas.

For the end-user, there are many potential key benefits: ease of use, lower dosage, reduced side effects and faster response time to name but a few.

For the pharmaceutical companies to whom we would sell the product and related intellectual property, there are clear benefits in terms of drug life cycle management, extending patent life and a number of regulatory benefits such as using a lower dosage of drug to achieve the same therapeutic effects.

We believe this strategy and the proprietary intellectual property platform will deliver significant value to shareholders as we progressively unlock value.

On behalf of the Board and the staff at Suda Ltd, I would like to thank you for your continuing support and I look forward to sharing further news on our development over the coming year.

Stephen Carter
Executive Chairman

The 2013 financial year was dominated by the successful completion of Phase III trial for the ArTiMist™ project and the acquisition of new technology to further develop our program of drug delivery. The Company has taken clear steps forward with a goal of becoming a major player in oro-mucosal technology.

The 2014 financial year will build on this technology with the expectation of the first agreement to be signed with a pharmaceutical company.

Suda Ltd's organisation structure of active entities is shown below. We will be setting up new entities for each new key product as required.

Oro-mucosal drug delivery – An overview

Oral route

Among the various routes of drug delivery, the oral route is perhaps one of the most studied and preferred by patients and clinicians. About 70% of drugs are administered orally, primarily in tablet or capsule form however, there are a number of disadvantages associated with oral administration such as hepatic first-pass metabolism and enzymatic degradation within the gastrointestinal (GI) tract, which cause a relatively lengthy onset time and/or erratic absorption patterns. Furthermore, patients must be conscious and able to swallow (40% of US adults and 54% of children (6-11 years) report swallowing difficulties) and in most cases need to have access to drinking water.

Oral mucosa

The oral mucosa is the moist epithelial lining of the oral cavity which includes the tongue, cheeks, palate and gums. Drug delivery within the oral mucosal cavity is classified into five categories:

(i) local delivery, which is drug delivery into the oral cavity;

(ii) sublingual delivery, which is systemic delivery of drugs through the mucosal membranes lining the floor of the mouth;

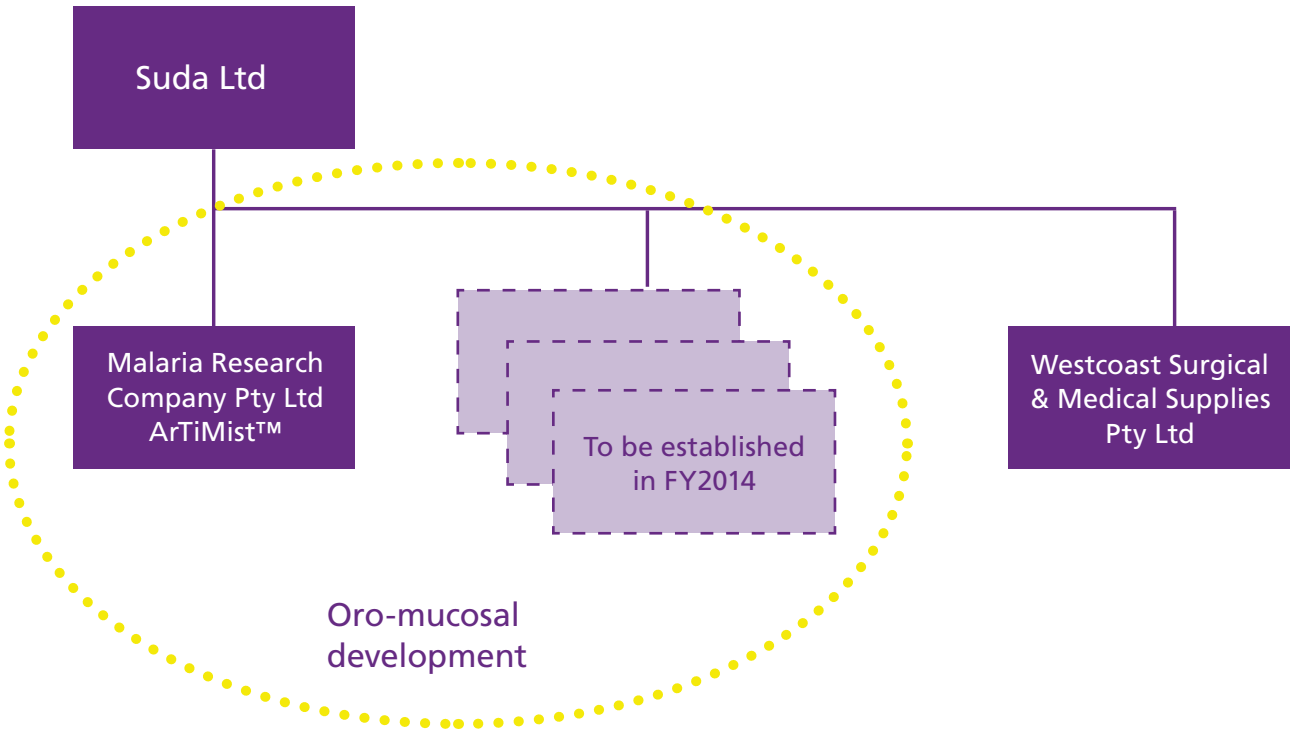
(iii) buccal delivery, which is drug administration through the mucosal membranes lining the cheeks (buccal mucosa);

(iv) lingual delivery is drug administration on the tongue; and

(v) gingival delivery is drug administration through the gums.

The oral mucosa and skin bear many structural similarities, where both epithelial tissues play a crucial role as a barrier against exogenous substances, pathogens and mechanical stress. But their function in the body differs with the oral mucosa being hydrated by saliva, while the skin provides a water-proof barrier and the most superficial layer is highly keratinised.

The oral mucosa is 4 to 4000 times [1] more permeable compared to the skin depending on the substance considered. In general, the permeability of the oral mucosa decreases in the order of sublingual greater than buccal, and buccal greater than palatal. This rank order is based on the relative thickness and degree of keratinisation of these tissues.



[1] *Mathematical modelling of transmucosal drug delivery*
http://www.maths-in-medicine.org/uk/2012/transmucosal-drug-delivery/report.pdf

5 delivery forms:

(i) Local – oral cavity
(ii) Sublingual – under the tongue
(iii) Buccal – through the cheeks
(iv) Lingual – on the tongue
(v) Gingival – through the gums

The sublingual mucosa is relatively thin, non-keratinised and highly permeable *(in the case of water it has been calculated to be 20x [2] higher than human skin)* with a rich blood supply consenting a rapid onset of action and absorption of lipophilic drugs. The absorption of a drug via the sublingual route is 3 to 10x greater that the oral route and is only surpassed by intravenous injection. The buccal mucosa is thicker, about 40-50 cell layers, and non-keratinised, and the palatal is intermediate in thickness but keratinised.

Pharmaceutical industry and drug delivery: a changing landscape

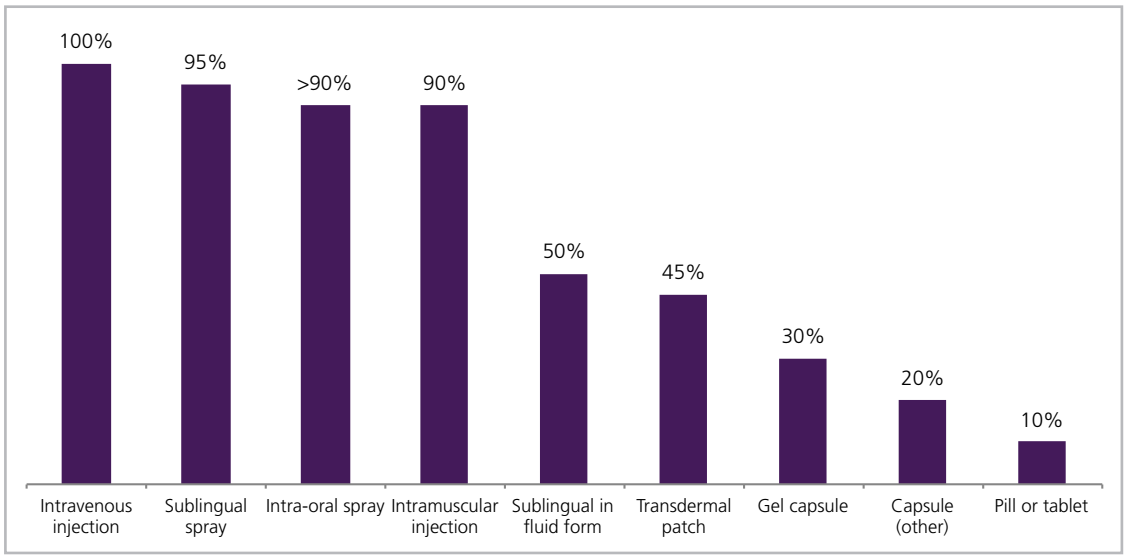
Over the past decade, the pharmaceutical industry landscape has seen the gradual shift from blockbuster drugs to multiple niche treatments that follow both the disease and the patient lifecycles, which focus on the disease as a whole, rather than only the drug. Emerging markets are included in the global pharma picture. Originators are acquiring generic manufacturers and big pharma players are putting their house in order to adapt to the new norm, i.e. thinning pipelines, patent cliffs, increasing development costs and regulatory hurdles.

Large players are now globally positioned, outsource significant portion of their R&D, manufacturing and corporate processes and rely extensively on partnerships and alliances. But big pharma's sales have been diminishing and for the first time in 50 years the US market has contracted. Over the next five years, the US market is expected to grow between 0% and 3% [3]. An increasing number of global generics firms are now in the top 50 global pharma companies. Teva was right behind the heels of Eli Lilly in terms of prescription (Rx) sales in 2012, at one place short of the top 10, while Ranbaxy joined the ranking of the top 50 pharma for the first time. In the US, between 76-80% of dispensed prescriptions in 2012 were generics.

Part of this changing landscape has been also the surge of interest in novel drug delivery technologies and systems. Until not long ago drug delivery was considered of lesser importance in the development process of a pharmaceutical, despite the fact that without an adequate delivery technology a drug is next to useless. In recent years the market has evolved with the development of drugs and delivery systems being integrated at each step of the way from the pre-clinical to clinical stage, and in so doing optimising both the commercial and therapeutic drivers. It has been estimated that the drug delivery market in the US alone ranges between US$57-US$82bn with a 6 to 9% annual growth rate.

The pharmaceutical industry continues to take advantage of drug delivery technologies in its efforts to add years to product revenue streams. Although there are a number of approaches available to companies to manage the lifecycle of products, those who have pursued drug delivery approaches have proven to be more effective than most, particularly when patient/clinical benefits are apparent. New formulation strategies have been shown to deliver the best return on investment, proving significantly more effective than an OTC/branded generic route, repositioning, or a new indication.

EFFICACY COMPARISON OF DIFFERENT DRUG DELIVERY METHODS



Source: Physician's Desk Reference, NPPDR, No. 18:676, 1997 and from OroMist' s clinical trials

[2] *C.A. Lesch, C.A. Squier, A. Cruchley, D.M. Williams, P. Speight, The permeability of human oral mucosa and skin to water, J. Dent. Res. 68 (1989) 1345-1349*

[3] *Pharma Executive – May 2013*

Additionally, it is estimated that between 60 and 70% [4] of New Molecular Entities (NMEs) potentially exhibit sub-optimal drug delivery characteristics. The balance between *'perfection'* and *'good enough'* in clinical development is allowing for less than ideal bioavailability or delivery properties which are tolerated to reduce clinical complexity and increase speed to market. Perhaps it is not a coincidence that two out of three product launches under-perform expectations.

Suda's Oro-mucosal technology

This technology is designed to deliver a broad range of marketed drugs through the highly absorptive lining of the mouth into the systemic blood circulation. This technology and delivery route may provide substantial potential benefits compared to other modes of drug administration including:

- Faster onset of action;
- Lower dose;
- Increased bioavailability of the drug as it avoids the first pass metabolism in the liver and the gastro-intestinal harsh environment;
- Enhanced patient compliance and convenience;
- Avoids the need to swallow;
- Allowing for the medication to be taken without water; and
- Facilitate self-medication and decreases the need of medical personnel.

This technology essentially covers the delivery of liquid formulations of pharmaceutical products to the oral cavity in the form of a mist that covers the oral mucosal membranes. The oral mucosa is richly supplied with blood vessels and the mucosal membrane is relatively permeable. As a result, contact with these surfaces enables rapid drug absorption into the systemic circulation. The formulations reach the systemic circulation through different sites within the oral mucosal cavity.

There are many potential advantages to this technology. The most important of which is the rapid achievement of therapeutic levels of a desired drug. This method of delivery provides direct access to the systemic circulation, bypassing the harsh environment of the stomach and avoiding the extensive metabolism associated with the first circulatory pass through the liver.

Drug delivery via the oral mucosa can also minimise dose variation related to gastrointestinal tract motility, stomach emptying time, food effects, tablet/capsule disintegration and dissolution and enzymatic or chemical degradation in the gut. Due to decreased degradation and higher absorption, oral sprays often permit the use of a lower dose of the active ingredient compared with tablet formulations of the same drug, potentially reducing the risk of adverse drug reactions. In many cases, including treatments for patients with difficulty swallowing or nausea, oral spray administration provides enhanced convenience resulting in greater compliance.

Our technology is compatible with, and patented for, use in either pump (air-activated) or aerosol (propellant-driven) spray systems, and can be provided in either multi-dose or unit containers based on the medical need and marketing requirements for each product.

Drug Lifecycle Management

Our technology enables rapid delivery of drugs into the bloodstream, which can result in a faster onset of action and potential patient benefits in compliance, convenience and safety. Sprays can deliver the drug into the salivary fluid or on to the mucosal surface of the mouth, thus making the drug readily available for absorption.

It is a proven technology platform with a significant number of studies published in international peer-reviewed journals, and adds incremental benefits to the business model by reducing the risks associated with drug development, ensuring greater regulatory compliance and efficiencies while reducing development costs and time to market. It is a versatile and valuable tool in Drug Lifecycle Management (DLM) for off- and on-patent drugs. By introducing changes in the formulation, route and modality of administration, a better-tolerated version of a therapeutic can be generated and delivered in a more patient-friendly dosage form, improve standard of care, contained treatment cost and at the same time extend and/or expand the patent protection. It may also offer indication expansion possibilities, the inclusion of additional patient populations and the development of novel fixed-dose drug combinations as well as the provision of a suitable delivery modality for those compounds that although presenting a favourable clinical profile, their therapeutic application has been hampered by a lack of suitable delivery technology.

The acquisition of the new technology by Suda includes a number of projects in different stages of clinical development and an extensive intellectual property (IP) estate of granted and filed patents. These patents cover a considerable number of future drug targets (small and large molecules) addressing several therapeutic areas. The IP portfolio is currently being screened to identify the most suitable development product mix that can deliver value and potentially the highest return to shareholders.

This acquisition is truly transformational for the Company and a catalyst for growth. It provides a *'launch pad'* that could result in medium-term regulatory approvals and licensing opportunities. Additionally, it provides a strong foundation for future growth not only through DLM but also by furthering the science behind the acquired technology to develop novel treatment modalities delivered via the oro-mucosal route, in the form of spray formulations.

[4] *Catalent, Inc. and Quotient Bioresearch*

REVIEW OF OPERATIONS

Patents

The acquired IP estate includes a broad portfolio of granted and pending patents covering the oro-mucosal delivery (polar and non-polar sprays or capsules) for a wide range of drugs such as anti-infectives, (i.e. antibiotics and antifungals), anti-asthmatics, barbiturates, opioids as well as biologically active peptide hormones such as, insulin and cyclosporine.

Going forward, Suda Ltd intends to expand the international patent protection of its drug pipeline as development progresses. It is expected to be comprehensive and multi-faceted and to include novel combinations (i.e. composition of matter), uses (i.e. use claims), formulation, delivery route and modality. Additionally, the Company is set to benefit from a range of non-patent forms of protection, such as know-how, trademarks, patent extensions, data protection and marketing exclusivity.

A list of patents is shown on page 10

Product portfolio - Key projects

The table below shows the promising projects that have been prioritised for further development. A number of additional attractive product candidates, in various development stages, are going to be included in the list in the medium term; therefore the content of the product pipeline will change over time.

Our screening processes take into account, among other things, the patient and the disease journey to better understand the patients' needs along the treatment path, the physiochemical attributes of a drug and the current rate of therapeutic adherence to establish how improvements can be introduced. Also, more efficient drug delivery can lead to cost savings when dealing with an expensive active pharmaceutical ingredient. The overall aim is to deliver positive patient outcomes and, where possible, lower healthcare costs. The scientific rationale behind the screening will justify the pursuit of an alternate route of administration.

PROJECT	ACTIVE PHARMACEUTICAL INGREDIENT	DEVELOPMENT STATUS	INDICATION	GLOBAL MARKET SIZE	CURRENT AVAILABLE DOSE FORMS
ArTiMist™	Artemether	Phase III completed Regulatory documentation underway	Severe malaria	>$500m	Tablet and injection
SUD - 001	Sumatriptan	2 clinical trials	Migraine headache	US$200m in USA alone	Tablet, injection and nasal spray
SUD - 002	Ondansetron	Completed clinical trials for registration under the FDA section 505(b)(2)	Chemotherapy induced nausea and vomiting (CINV)	US$3.6bn in 2015	Liquid and solution for IV, IM, syrup, oral tablet, oral disintegrating tablet, oral film and suppositories.
SUD - 003 DuroMist™	Sildenafil citrate	Completed a non-IND pilot clinical trial (Demonstrated bioequivalence). IND opened for further work	Erectile Dysfunction (ED)	US$4.1bn	Oral tablet
SUD - 004	Sildenafil citrate	Completed Formulation	Pulmonary Arterial Hypertension	US$3.6bn in 2015	Tablet and injection
SUD - 005	Midazolam	Completed formulation	Pre-procedural anxiety	US$150-170m	IV, IM, continuous infusion and buccal liquid

ArTiMist™

On 30 April 2013, the Company released its results based on the preliminary report for the ART004 Phase III clinical trial carried out in childhood malaria in Africa. The final report was received in late July 2013.

The results support the proposal that sub-lingual ArTiMist™ is an effective treatment for children with severe or complicated falciparum malaria, or uncomplicated falciparum malaria with gastrointestinal complications. The results also strongly support the potential role that ArTiMist™ may be able to play in the early interventional treatment of malaria in these cases.

The Phase III trial was carried out in malaria endemic areas of Rwanda, Burkina Faso and Ghana over a 22 month period from November 2010 to September 2012.

The study's primary objective was to demonstrate that sub-lingual (under the tongue) ArTiMist™ was superior to intravenous quinine in reduction of the parasite counts by more than 90% within 24 hours in children with severe or complicated falciparum malaria, or uncomplicated falciparum malaria with gastrointestinal complications.

The study convincingly confirmed this objective. The results of the trial demonstrate that 95.6% of patients treated with ArTiMist™ had their parasite counts reduced by greater than 90% in the first 24 hours. By comparison, only 40.6% of the quinine treated patients had the same reduction.

The secondary efficacy parameters PCT, PRR24, PCT50, PCT90 demonstrated a statistically significant difference overall between the treatments in both efficacy populations ($p < 0.005$), further demonstrating the superiority of ArTiMist™ over IV quinine in clearing parasites. There were 10 early treatment failures for quinine treated subjects. One quinine treated subject required rescue therapy. For ArTiMist™ treated subjects there were no early treatment failures, nor did any subject require rescue therapy. Quinine did not appear to be better than ArTiMist™ for any of the secondary endpoints included in this study. There were no Treatment Related Adverse Events (TEAEs), no deaths or neurological sequelae for either treatment.

These results provide a compelling argument for the potential use of ArTiMist™, a treatment for children with severe or complicated falciparum malaria, or uncomplicated falciparum malaria with gastrointestinal complications.

The World Health Organisation through the Rollback Malaria Program has said; *"The majority of deaths from severe malaria in childhood are caused by the delayed administration of effective antimalarial treatment. There is a relentless deterioration in the clinical condition of a young child with malaria who fails to get effective treatment, with death ensuing in a matter of hours or days. Any successful attempt to reduce mortality from malaria will have to explore novel possibilities for minimising such delays."*

The management of the Company believes that ArTiMist™ has the potential to be an effective pre-referral medication, and has the potential to significantly reduce child morbidity and mortality and potentially the adverse effects suffered by children, particularly within the first 24 hours of infection. We are of the opinion that ArTiMist™ could play a pivotal role in the global Rollback Malaria Program.

WHO: "The majority of deaths from severe malaria in childhood are caused by the delayed administration of effective antimalarial treatment. Any successful attempt to reduce mortality from malaria will have to explore novel possibilities for minimising such delays."

It is important to understand that in many rural areas where malaria is a major health problem rural clinics do not have doctors or IV drugs and may only have malaria suppositories/tablets. ArTiMist™ can be used successfully in all situations.

Advantages of ArTiMist™ over other treatments are:

- It does not require medically trained personnel for administration;
- Not affected by GI complications;
- By-passes the Liver and the significant metabolism seen from the first pass effect;
- Does not require fatty diet for maximum effect;
- Rapidly absorbed;
- Can be administered to comatose patients;
- Negates risk of infection from needle use;
- Has a long shelf life; and
- Critically, in hot climates, does not require cold chain storage

SUD - 001 – Sumatriptan for Migraine headache

Two clinical trials were conducted to evaluate sumatriptan lingual spray (LS) administration. The objectives of the trials were: (1) to determine whether sumatriptan can be absorbed across the oral mucosa, and, if so; then (2) to describe its pharmacokinetics (PKs); and (3) to investigate whether there are pharmacodynamic (PD) correlates of such PKs in patients experiencing migraine attacks.

The first clinical trial, included 10 healthy male volunteers in a four-arm, crossover PK study comparing the performance of the LS formulation of sumatriptan (20mg and 30mg in fasting conditions, and 20mg in non-fasting conditions) with the 50mg sumatriptan tablet.

The study demonstrated a statistically significantly faster rate of absorption than tablets and up to a 50% increase in relative bioavailability of drug. Importantly, the rate of drug absorption

is believed to be predictive of the degree and speed of migraine relief. The initial PKs of LS approximate to those of a subcutaneous injection, albeit some fraction of these doses is swallowed.

Although Imitrex® nasal spray was not included in this clinical study, time to the first peak plasma concentration of sumatriptan was approximately 70% faster with the 20mg SUD-001 than what has been reported in the literature for the same dose of the sumatriptan nasal spray. In addition, the mean concentration level achieved during this critical first phase of absorption was approximately 30% greater for SUD-001 than what was observed in published studies of the nasal spray.

The second clinical trial was an efficacy study in migraneurs. This was a multi-centre, active control, open-label, dose-ranging, efficacy and safety study. All dosing was done on an outpatient basis and patients returned to the clinic between migraine attacks.

Subjects received up to five treatments, comprising single doses of the following: sumatriptan 50mg and 100mg tablets, SUD-001 20mg, 30mg and 40mg. Patients recorded the severity of each migraine attack on the same four-point scale immediately before dosing and at 15, 30, 60, 90, 120, 240 minutes and 24 hours post-dosing. Associated symptoms (nausea, vomiting, photophobia, and phonophobia) were also recorded immediately before dosing and at 30, 60, 90 and 120 minutes post-dosing.

In the primary analysis of efficacy, the percentage of patients responding to treatment at or before 60 minutes post-dosing, there was a statistically significant greater percentage of subjects receiving the 30m and 40mg doses of SUD-001 with a reduction in headache pain compared to those receiving the 50mg sumatriptan tablet (42% and 46%, respectively, vs. 12%; P≤0.011), and was comparable to the percentage who responded to the higher (100mg) dose of the tablet formulation (42%).

Significantly more patients responded to all three doses of SUD-001 than to 50mg sumatriptan tablet by 90 minutes post-dosing (57% to 70% vs. 32%; P≤0.028), and all three oral spray doses were comparable to the 100mg tablet. There were no treatment differences by two hours after dosing, when 68% to 77% of patients had responded irrespective of treatment.

Overall, these results indicate that sumatriptan LS at doses of 30mg and 40mg may be significantly more effective than the 50mg sumatriptan tablet in reducing pain and other symptoms associated with migraine headaches and produce a degree of relief that is qualitatively similar to the 100mg sumatriptan tablet.

In July 2013, a US-based pharmaceutical company, Avanir Pharmaceuticals, Inc. entered into an agreement with OptiNose AS for the exclusive North American license agreement for the development and commercialisation of OptiNose's Breath Powered intranasal delivery system containing low-dose sumatriptan powder to treat migraine. The agreement included an upfront payment of US$20 million and an additional US$90 million in milestone payments.

Suda Ltd believes the financial terms of this deal give an indication of the potential for SUD – 001.

SUD – 002 – Cancer Induced Nausea and Vomiting (CINV), Radiotherapy INV (RINV) & Post-operative Nausea and Vomiting (PONV)

SUD - 002 is the first oral spray of ondansetron the most commonly prescribed antiemetic for CINV, RINV and PONV. This spray achieves therapeutic drug levels by delivering a micro mist of concentrated ondansetron over the oral mucosa and may offer a desirable alternative to patients requiring antiemetic therapy who have difficulty in swallowing.

The clinical programme consisted of four clinical studies (referred to as Ondasetron Oral Spray or ZOOS I-IV), randomised, crossover study where the PK of 8mg of ZOOS was compared with 8mg ondansetron tablet in 21 men and 21 women.

Each gender group received the two treatments and were included in the PK analyses. The geometric mean ratios and the 90% confidence interval (CI) for ZOOS over the ondansetron tablet for all men and all women are shown in the table below. PK samples were measured during the 24 hours after dosing, and the parameters were analysed using a crossover ANOVA model. The treatments were considered bioequivalent if the 90% CI of the geometric mean ratios for the maximun concebtration (Cmax,) Area Under Curve (AUC(0-t)), and AUC(0-inf) were within 80%–125%.

SUD - 002 delivered statistically faster absorption as defined by median time to detectible drug levels of ondansetron at 15 minutes vs. 30 minutes for the tablet.

Data from the four studies confirmed that SUD - 002 8mg dose is statistically bioequivalent to the current commercially available 8mg ondansetron tablet, was well tolerated and can be conveniently administered in multiple doses.

The most commonly reported adverse events (AEs) after treatment with SUD - 002 compared with those for the tablet for all women/men were headache (14%/14% SUD - 002; 27%/10% tablet) and dizziness (5%/5% SUD - 002; 0%/10% tablet). The incidence of all other AEs was ≤ 5%, and there were no serious or unexpected AEs. Details of these results were presented in 2006 at the American Society of Clinical Oncology's (ASCO) Annual Meeting.

SUD-002 Geometric Mean Ratios (90% CI) for ZOOS over the tablet form

	AUC(0-t)	AUC(0-inf)	Cmax	CL/F
Women	99.3 (92.2, 107)	99.4 (92.2, 107)	95.2 (86.9, 104)	100 (93.3, 100)
Men	102 (96.2, 108)	102 (96.6, 109)	96.1 (88.1, 105)	97.5 (91.8, 104)

Source: Journal of Supportive Oncology – 2006 Chicago Supportive Oncology Conference

SUD – 003 (DuroMist™)

In October 2010, NovaDel completed a non-IND pilot pharmacokinetic (PK) clinical trial comparing lingual spray DuroMist™ to oral Viagra®. The trial was designed to assess the relative bioavailability and safety of one, two and three doses of 10mg/0.12ml of DuroMist™, compared to a 25mg Viagra® tablet.

The trial was a single-centre, open-label, single-dose, randomised, four-period, four-treatment, crossover study under fasting conditions. The total number of healthy adult male subjects enrolled in the study was 24 and data from 23 subjects were included in the study. All subjects were required to stay at the clinical site for at least 24 hours after each treatment period and the study lasted approximately nine weeks with at least a three-day washout period between doses.

The data from the clinical trial demonstrated that the 20mg dose (two sprays) of DuroMist™ was bioequivalent to the 25mg Viagra® tablet with respect to systemic exposure, or AUC0-inf. The mean AUC0-inf for the 10mg dose (one spray) was approximately 40% of the 25mg Viagra tablet, as expected.

The mean AUC0-inf for the 30mg dose (three sprays) was approximately 40% higher than the 25mg Viagra® tablet, about 20% higher than expected. This increased systemic exposure observed with the 20 and 30mg oral spray doses, as compared to the 25mg Viagra® tablet, is suggestive of effective absorption of sildenafil via the oral transmucosal route.

The 20mg dose demonstrated a lower maximum measured plasma concentration, or Cmax, than that of the 25mg Viagra® tablet. The time point at Cmax, or Tmax, for the 20mg dose was essentially the same as the 25mg Viagra® tablet (1.10 and 1.04 hours, respectively). DuroMist™ demonstrated an excellent safety profile and was well tolerated in the pilot PK study.

In June 2011, an IND was opened with the FDA. A plan for the completion of the required clinical and non-clinical work for the filing of an NDA was draw-up at the time.

SUD – 004 – Pulmonary Arterial Hypertension

An initial formulation has been completed and is ready to initiate PK studies.

SUD – 005 – Pre-procedural anxiety

An initial formulation has been completed and is ready to initiate PK studies.

Westcoast Surgical & Medical Supplies

Westcoast Surgical & Medical Supplies Pty Ltd (Westcoast) is a sales and logistics operation for medical devices and consumables. Westcoast focuses on five key areas:

(i) Hospitals
(ii) Aged Care
(iii) Allied Health
(iv) Mining
(v) Detention Centres

Westcoast's key selling proposition is: Flexible Solutions, Innovative Service. This reflects its service levels, which differentiates it from other players in a highly competitive industry.

Westcoast has taken steps over the last year to focus on value adding to the higher margin markets and this has provided substantial benefit through developing close relationships with a key customer and a key supplier.

Westcoast had initiated discussions with a major, federal government-funded organisation during the financial year and was awarded preferred supplier status for the supply of pharmaceuticals, consumables, equipment and vaccines in August 2013. The first supply of vaccines occurred in July 2013 followed by substantial growth in August 2013 which is expected to continue for foreseeable future.

Westcoast is currently in the process of finalising agreements with a key supplier of products with the intention of improving its profit margins, and has also started to import its own branded medical products which are targeted for the hospital sector.

Future Development, Prospects and Business Strategies

Business strategy

The Company's drug delivery business is in various stages of development. It has adopted a staged business and marketing strategy as the pipeline progresses and the Company remains abreast with developments in the pharmaceutical industry.

The Company intends to adopt steps to achieve financial, clinical, technical and regulatory risk reduction by combining the sale of certain assets and, in parallel, run in-house development of some projects and collaborate with partners on others. The number of active projects will vary over time and will depend primarily on the available resources, which are expected to be limited in the early stages, but gradually improve as the Company receives funds from the divestiture of projects and/or partnering activities and non-dilutive financing by applying for grants.

Future license agreements and research collaborations represent key strategic milestones both from a financial and knowledge point of view, helping to finance the earlier stage projects.

The initial focus is going to be on the divesture of ArTiMist™ and of the acquired clinically mature products, with further collaborative development of the acquired pipeline and the addition of new projects sourced from the current IP estate.

Development timelines of reformulated drugs are considerably shorter (3-7 years) when compared to the development of a New Chemical Entity (NCE) which can be up to 13.5 years from discovery to approval and development risks are considerably lower than a NCE thanks to the extensive amount of pre-existing data.

The regulatory strategy is to seek regulatory approval in the US by filing Applications under the abbreviated FDA 505(b)(2) legislation and the equivalent strategy in Europe and other jurisdictions.

Drug Lifecycle Management (DLM) strategies are complex and require an integrated, multi-disciplinary and cross functional team approach to manage the various complex activities and processes (science, formulation changes, clinical trials, regulatory and legal tools, finances, M&A, public relations, reputation, etc.). Many aspects in the Company's corporate structure are not in place yet but have been planned and will be introduced when and if the management deems it necessary. Therefore, for the foreseeable future, the Company is maintaining its current semi-virtual outsourcing business model.

The use of the term *'active pharmaceutical ingredients'* highlight the fact that the Company is not restricting the field of application of its technology to generic drugs, although the current pipeline includes only those off-patent, but in the medium-term could include therapeutics still on-patent or close to expiration, compounds in development but not approved yet and compounds that have been shelved because although presenting a favourable clinical profile, the therapeutic application has been hampered by their physiochemical properties creating a significant barrier for their effective delivery. This allows the Company to greatly diversify the product portfolio, generate different streams of revenues and reduce the development risk and form partnerships.

Corporate value will be enhanced by revising the IP portfolio on a regular basis to align it and, when necessary, re-align or expand it as projects progress, and adapt it to changes in specific business goals, competitive landscape and other market pressures.

Commercial strategy

The Company, for its product pipeline intends to adopt a multi-pronged commercial strategy providing income streams in the short to medium-term and the potential for a big upside in the future.

The aim is to develop products that can promptly answer the questions of potential partners *'what is the added value of this product?'* and *'what does this product do better when compared to what we already have or is available on the market?'* The scientific rationale behind the answers will highlight the notion of value, which is multi-dimensional and certainly goes beyond the demonstration of bioequivalence in the case of reformulated products, but will also show, for example, improved safety and efficacy profiles, ease of use leading to self-medication rather than reliance on medical personnel, improvements that will contribute to increase the rate of therapeutic adherence and facilitate reimbursement.

Whilst not always the case it is standard practice for a Company like Suda Ltd to enter into licensing agreements usually structured in a way to provide an up-front fee upon signature of the agreement, payments upon the achievement of development and regulatory milestones and royalties on net sales.

There are many ways a licensing agreement can be structured. We anticipate that, depending on the project, the licensing agreements that will be entered into will be typically on product-by-product and territory-by-territory basis, as there are many different licensing strategies that can be applied depending on the countries and the projects. The terms of such agreements can differ markedly depending on the stage of the product development, therapeutic indication and addressed patient population. The management believes that licensing will take place once the development has reached such an inflection point to deliver a meaningful therapeutic/clinical value to patients, physicians and healthcare systems and enabling the Directors to sign favourable licensing terms.

The Company is currently preparing the documentation for ArTiMist™'s regulatory registration and is continuing its ongoing identification and discussion for a trade sale with possible interested parties.

The Board of Directors is of the opinion that the Company's current strategy and activities will form the basis on which to realise the potential value of the Company's assets.

List of Patents

Country	Title	Status	Application	Patent	EP Regionals
Australia	ORAL SPRAY FORMULATIONS AND METHODS FOR ADMINISTRATION OF SILDENAFIL	FILED	AU2011264941		
Brazil	ORAL SPRAY FORMULATIONS AND METHODS FOR ADMINISTRATION OF SILDENAFIL	FILED	BR 11 2012 031297 9		
Canada	STABLE HYDRALCOHOLIC ORAL SPRAY FORMULATIONS AND METHODS	FILED	CA2649895		
Canada	ORAL SPRAY FORMULATIONS AND METHODS FOR ADMINISTRATION OF SILDENAFIL	FILED	CA2802047		
Canada	BUCCAL POLAR SPRAY OR CAPSULE	GRANTED	CA2252038	2252038	
Canada	BUCCAL POLAR AND NON-POLAR SPRAY OR CAPSULE	GRANTED	CA2306024	2306024	
Canada	BUCCAL, NON-POLAR SPRAY OR CAPSULE	GRANTED	CA 2252050	2252050	
Canada	STABLE ANTI-NAUSEA FORMULATIONS	FILED	CA2673049		
Europe	BUCCAL, POLAR AND NON-POLAR SPRAY CONTAINING ONDANSETRON	FILED	EP1682090		
Europe	PROPELLANT-FREE SPRAY COMPOSITION COMPRISING ANTI-EMETIC AGENT	FILED	EP2042161		
Europe	BUCCAL NON-POLAR SPRAY	GRANTED	EP1029536	1029536	France, Germany, UK, Spain & Italy
Europe	BUCCAL, NON-POLAR SPRAY COMPRISING ANALGESICS OR ALKALOIDS	GRANTED	EP1275374	1275374	Belgium, France, Germany, UK, Greece, Italy, Netherlands, Spain, Sweden, Switzerland,
Europe	BUCCAL, NON-POLAR SPRAY OR CAPSULE	GRANTED	EP0904055	0904055	Austria, Belgium, Denmark, Finland, France, Germany, UK, Greece, Ireland, Italy, Luxembourg, Monaco, Netherlands, Portugal, Spain, Sweden, Switzerland
Europe	ORAL SPRAY FORMULATIONS AND METHODS FOR ADMINISTRATION OF SILDENAFIL	FILED	EP2575765		

List of Patents

Country	Title	Status	Application	Patent	EP Regionals
Hong Kong	BUCCAL, POLAR AND NON-POLAR SPRAY CONTAINING ONDANSETRON	FILED	HK7100065.3		
Hong Kong	STABLE HYDRALCOHOLIC ORAL SPRAY FORMULATIONS AND METHODS	FILED	HK9106223.7		
Israel	BUCCAL, POLAR AND NON-POLAR SPRAY CONTAINING ONDANSETRON	FILED	IL174623		
Japan	ANTI-MIGRAINE ORAL SPRAY FORMULATIONS AND METHODS	FILED	JP2009-521848		
Japan	STABLE ANTI-NAUSEA FORMULATIONS	FILED	JP2009-542925		
PCT	ORAL SPRAY FORMULATIONS AND METHODS FOR ADMINISTRATION OF SILDENAFIL	FILED	PCT/US2012/67763		
United States	BUCCAL POLAR SPRAY OR CAPSULE	GRANTED	US09/199,380	6110486	
United States	BUCCAL, POLAR AND NON-POLAR SPRAY OR CAPSULE	GRANTED	US10/100,156	6676931	
United States	BUCCAL, POLAR AND NON-POLAR SPRAY OR CAPSULE	GRANTED	US10/327,195	6998110	
United States	BUCCAL, POLAR AND NON-POLAR SPRAY OR CAPSULE CONTAINING DRUGS FOR TREATING PAIN	GRANTED	US10/726,625	6969508	
United States	BUCCAL, POLAR AND NON-POLAR SPRAY OR CAPSULE CONTAINING DRUGS FOR TREATING DISORDERS OF THE CENTRAL NERVOUS SYSTEM	GRANTED	US10/726,585	6977070	
United States	ANTIHISTAMINE SPRAYS AND OINTMENTS FOR RELIEF OF DELAYED CONTACT DERMATITIS	GRANTED	US08/967,569	6391282	
United States	BUCCAL, NON-POLAR SPRAY OR CAPSULE	GRANTED	US08/631,175	5,955,098	
United States	ORAL SPRAY FORMULATIONS AND METHODS FOR ADMINISTRATION OF SILDENAFIL	FILED	US13/702,506		

CORPORATE GOVERNANCE STATEMENT

The Board is responsible for the corporate governance of the Company. Systems of control and accountability form the basis for the administration of corporate governance.

Corporate Governance information is published on Suda Ltd's website at www.sudaltd.com.au. This information includes charters (for the Board and its committees), the Company's Code of Conduct and other policies and procedures relating to the Board and its responsibilities such as:

- the Policy for Trading in Company Securities;
- the Company's ASX continuous disclosure procedures;
- procedure for selection appointment and rotation of external auditor;
- shareholder communication strategy; and
- a summary of the risk management policy.

Suda Ltd is listed on the Australian Securities Exchange (ASX). Accordingly, unless stated otherwise in this document, the Board's corporate governance arrangements comply with the recommendations of the ASX Corporate Governance Council (including the 2010 amendments) as well as current standards of best practice for the entire financial year ended 30 June 2013.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1 (Establishing roles and responsibilities)

The Board of four Directors tasks itself to provide strategic guidance for the Company and effective oversight for management. All matters of management are reserved to them, and delegations are expressed and specific as circumstances require.

Suda Ltd's Chief Executive Officer is a member of the Board and is responsible for day to day operational management and implementation of strategy, risk management and control of systems.

Suda Ltd has two independent, non-executive Directors (Michael Stewart and Ken Robson). The Chair ensures the Board operates efficiently, that systems and meetings are regular and timely, that appropriate focus is maintained on enhancing stakeholder value. The Chairman has oversight of ensuring a balance of authority, that the skill sets of the Board are deployed to maximum advantage and proper governance generally.

The Board has tasked the Company Secretary to ensure legal compliance and proper continuous disclosures are in order.

Recommendation 1.2 (Evaluating the performance of Senior Executives)

Formal written appointments govern the services of the Chief Executive Officer and the Chief Financial Officer whose performances are regularly measured. A set of key performance indicators applies to each of these Officers, and performance evaluation against indicator attainment has been carried out by the independent Directors during the period.

Principle 2: Structure the Board to add value

Recommendation 2.1 (A majority of the board should be independent directors)

In determining the independence of Directors the Board has regard to the independence criteria as set out in the ASX Principles and Recommendations. To the extent that it is necessary for the Board to consider issues of materiality, the Board refers to the thresholds for qualitative and quantitative materiality as adopted by the Board and contained in the Board Charter, which is disclosed in full on the Company's website.

CORPORATE GOVERNANCE STATEMENT

The Company assesses independence at the time of appointment of Directors and monitors the independence of Directors as and when appropriate.

Applying the independence criteria, which include substantial shareholding and employment, the Board considers that Mr. Michael Stewart and Mr. Ken Robson are independent Directors.

Currently the Board comprises of two Executive Directors and two Non-Executive Directors. The structure of the Board, whilst the Company acknowledges the recommendation, is based on the experience, knowledge and expertise of the Board members, with consideration to the cost of additional Non-Executive Directors and is of the opinion that it is an appropriate structure for the size and development stage of the business.

Recommendation 2.2 & 2.3 (The Chair should be an independent Director with a distinct and different role)

The Chief Executive Officer currently carries out the roles of both Chairman and CEO and has done so since December 2012. The Board acknowledges the recommendations of the ASX Corporate Principles and Recommendations that these roles be carried out by different people and the Chairman be a Non-Executive Director, however, the Board believes that the wealth of knowledge and expertise of the current Chairman makes it appropriate for him to be the Executive Chairman (Chairman and CEO). The Board believes that all of its Directors exercise due care and skill with respect to the matters which they consider and bring objective judgment to bear in decision-making.

Recommendation 2.4 (The Board should establish a nomination committee)

The Board considers the Company too small at this stage to have a Nomination Committee. The Board has put in place regular agenda items to address the relevant Board issues of required competencies, performance evaluation and succession planning. The Company Secretary monitors Board policies and procedures and reports directly to the Chairman.

Recommendation 2.5 (Board Performance)

The independent Directors are responsible for a review of the balance of authorities in the Board and for ensuring the division of functions remains appropriate. In addition a set of key performance indicators applies to the Executive Directors, and performance evaluation against indicator attainment has been carried out by the independent Directors in the reporting period. No adverse issues have emerged.

The Chief Executive Officer must report to the Board in a timely manner and ensure the reporting gives a true and fair view of the financial condition of the Company and all operational results.

The skills, experience, relevant expertise and period of office of each Director is set out in the Directors' Report in the Annual Report of the Company.

Any new Director appointment is at the invitation of the Chairman after Board approval, and there is a company induction program in place in that event.

Any Director, with the prior approval of the Chairman, may take independent professional advice at the reasonable expense of the Company.

The Board held meetings as detailed in the Directors' Report in the Annual Report. Senior managers are invited to attend meetings of the Board, and Non-Executive independent Directors may meet separately from the Executive Directors in the performance of their functions.

The Company's constitution requires one third of the Directors (other than any Managing Director and alternate Directors) to retire from office at each Annual General Meeting. Directors appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of Directors to retire by rotation at the Annual General Meeting.

Directors cannot hold office for more than 3 years following their appointment without submitting themselves for re-election.

Retiring Directors are eligible for re-election by shareholders.

Principle 3: Promote ethical and responsible decision-making

Recommendation 3.1 (Code of Conduct)

The Company's Code of Conduct sets the ethical tone and expected standards of behavior and practice for Directors, senior management and all employees. The Code is set out on the Company's website.

The code sets out the standard which the Board, management and employees of the Company are encouraged to comply with when dealing with each other, shareholders and the broader community.

The Board, management and employees must not involve themselves in situations where there is a real or apparent conflict of interest between them as individuals and the interest of the Company. Where a real or apparent conflict of interest arises the matter should be brought to the attention of the Chairman in the case of a Director, or the Chief Executive Officer in the case of a member of management, or an employee, so that it may be considered and dealt with in an appropriate manner for all concerned. The Board supports high standards of corporate governance, and requires its members and the staff to act with integrity and objectivity in relation to:

- Compliance with the law;
- Record keeping;
- Confidentiality; and
- Safe and equal opportunity employment.

The Board and management aim to fulfill their wider obligations to all the Company's stakeholders.

Recommendation 3.2 (Diversity Policy)

The Board has established a Gender Diversity Policy which is available on the website.

Recommendation 3.3 (Objectives of Diversity Policy)

The Company is aware of the benefits of diversity. It has benefited from all available talent, promotes appointment of well-qualified personnel and has maximised achievement of corporate goals through diversity.

Recommendation 3.4 (Diversity outcomes)

The Board has not established measureable objectives for achieving gender diversity at present, however, the Board is committed to considering the issue of diversity at least annually. At the reporting date, the Company has approximately 14 employees (including consultants to the Company), of which five are female. Of the three executive roles within the Company, none are currently carried out by a female. There are currently no female board members.

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1 (Audit Committee)

The Audit Committee, including the Chief Financial Officer, acts to focus on issues relevant to the integrity of the Company's financial reporting, and to undertake the necessary review and consideration of the financial statements, as well as appropriate steps to ensure the independence and competence of the Company's external auditor.

Recommendation 4.2 (Audit Committee Structure)

The Audit Committee includes two Non-Executive Directors. The Company is a comparatively small company and the Board does not consider the extra costs involved in appointing any additional Non-Executive independent Directors would result in any greater benefits or efficiencies in the Audit Committee's work.

Recommendation 4.3 (Audit Committee Charter)

The Audit Committee has a formal Charter which is set out on the Company's website. The main responsibilities of the Audit Committee are to:

1. Review and report to the Board on the financial reports published by the Company or released to the market
2. Review the effectiveness of internal controls of:
   - operations
   - financial reporting
   - legal compliance
   - risk management
3. Recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, and the scope and quality of the audit.

The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

The external auditors may communicate at any time with the Chairman of the Board.

The external auditor has not provided any non-audit services which might compromise the auditor's independence. The Audit Committee has informed the Board on its assessments regarding the external audit, the review of risk management and internal controls. There are no unresolved issues.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1 (Compliance with ASX Disclosure Requirements)

The Board is primarily responsible for compliance with ASX Listing Rule requirements for continuous disclosure, and has tasked the Company Secretary to manage that compliance in close collaboration with Group executive officers.

The policy established by the Board is to ensure that all senior executives report material information for immediate vetting by the Company Secretary and the Board. The Board approves all final releases.

The policy aim is to ensure all investors have equal and timely access to material information concerning the Company, particularly its financial position, performance, ownership and governance.

Principle 6: Respect the rights of shareholders

Recommendation 6.1 (Promoting effective Communication and Participation)

The Company recognizes the importance of its relationship with shareholders and understands the importance of communication with them in accordance with the requirements of the ASX. For this purpose the Company has two policies, one for keeping shareholders up-to-date with Company information and one to ensure it is compliant with the continuous disclosure obligations of the ASX.

The Company maintains a website for effective communication with stakeholders. The website can be accessed on http://www.sudaltd.com.au. On this website shareholders can access all information provided to analysts and the media subsequent to it being released to the ASX.

The Company Secretary is tasked to assist effective communication with shareholders, investors and customers, in collaboration with the Chief Executive Officer. A shareholder database has been established and is maintained for this purpose.

The Company Secretary is accountable to the Board to ensure prompt and timely compliant notices of general meetings, and that shareholders are given every assistance and encouragement to attend or be represented at meetings.

Principle 7: Recognise and manage risk

Recommendation 7.1 (Oversight and Management of Material Business Risk)

The Board is responsible for implementation, review and monitoring of an effective risk management system.

Day-to-day management of risk is the responsibility of the Chief Executive Officer, with the assistance of senior management. The Chief Executive Officer is responsible for reporting directly to the Board on all matters associated with risk management.

In fulfilling his duties, the Chief Executive Officer has unrestricted access to all employees, contractors and records and may, with the approval of the Board, obtain independent expert advice on any matter he believes appropriate.

Recommendation 7.2 (Risk Management Internal Control Systems)

Specific business risks are managed through:

- the Audit Committee and Audit Committee Charter;
- insurance programs;
- regular budgeting and financial reporting;
- limits and authorities for expenditure levels;
- procedures/controls to manage environmental and occupational health and safety matters;
- procedures for compliance with continuous disclosure obligations under the ASX listing rules; and
- procedures to assist with administering corporate governance systems and disclosure requirements.

Recommendation 7.3 (CEO & CFO Assurances)

The Chief Executive Officer and Chief Financial Officer give the relevant declarations, statements and certifications to the Board in relation to the Company's Annual Report.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1 (Remuneration Committee)

Details of Board and executive remuneration, including the Company's policy on remuneration are contained in the "Remuneration Report" which forms part of the Directors' Report.

All compensation arrangements for Directors and key management personnel are determined by the Remuneration Committee after taking into account the current competitive rates prevailing in the market.

Remuneration levels of the Directors and key management personnel are set by reference to similar-sized companies with similar risk profiles and are set to attract and retain executives capable of managing the consolidated entity's operations. The Board undertakes an annual review of its performance against goals set

at the start of the year.

Details of the nature and amount of remuneration paid to each Director of the Company and all key management personnel of the consolidated entity are provided in the 'Remuneration Report' contained within the Directors' Report.

Non-Executive Directors are entitled to, and have been issued with, options in the Company.

No bonuses are paid to Non-Executive Directors, nor are there any terminations or other benefits paid on retirement.

Recommendation 8.2 (Structure of Remuneration Committee)

The Remuneration Committee is comprised of the same members as the Board.

Recommendation 8.3 (Remuneration Structure)

Remuneration of Non-Executive Directors is determined by the Board within the maximum approved by the shareholders from time to time.

Your Directors present their report, together with the financial statements of the Group, being the Company and its controlled entities for the financial year ended 30 June 2013.

Principal Activities and Significant Changes in Nature of Activities

The principal activities of the Consolidated Group during the financial year were:

- Pharmaceutical development of drug delivery technology; and
- Medical devices and consumables distribution

The drug delivery operation includes the ArTiMist™ project which has now successfully completed Phase III trials, and the recently acquired oro-mucosal spray drug delivery technology which includes a rich development pipeline of projects in late clinical and pre-clinical development. Product development is based on a combination of in-house development and collaboration with external organisations for the reformulation of well-known active pharmaceuticals.

The acquisition complements the existing sublingual spray (ArTiMist™) project for the treatment of severe or complicated malaria and uncomplicated malaria in children with gastro-intestinal complications (i.e. vomiting and/or diarrhoea). ArTiMist™ is currently in pre-registration phase and the assets relating to this compound are held in Malaria Research Company Pty Ltd, a Suda subsidiary.

There were no significant changes in the nature of the Consolidated Group's principal activities during the financial year.

Operating Results

The consolidated loss of the Consolidated Group was $1,667,519 (2012 loss: $4,437,023) after providing for income tax. Revenue is similar to last year at $4,065,665 (2012: $4,001,951) and the loss for the year has decreased by 62%. This reduction in loss was largely due to the impairment loss recognised in 2012 year for $2,777,447.

The Company has estimated the Research & Development Tax Incentive for the 2013 financial year at $174,217 (2012: $304,243 which included claims for the 2011 and 2012 financial years).

Review of Operations

The two key activities of the Company are discussed below with further information in relation to the acquisition of the NovaDel Pharma Inc. assets.

1. Westcoast Surgical & Medical Supplies Pty Ltd

Westcoast Surgical & Medical Supplies Pty Ltd (Westcoast) is a sales and logistics operation for medical devices and consumables. Westcoast focuses on five key areas:

i. Hospitals
ii. Aged Care
iii. Allied Health
iv. Mining
v. Detention Centres

Westcoast's key selling proposition is: Flexible Solutions, Innovative Service. This reflects its service levels which differentiates it from other players in a highly competitive industry.

Westcoast had initiated discussions with a major, federal government-funded organisation during the financial year and was awarded preferred supplier status for the supply of pharmaceuticals, consumables, equipment and vaccines in August 2013. This is expected to have a significant impact on Westcoast's revenue and profitability for the 2013-14 year.

2. Malaria Research Company Pty Ltd

Suda Ltd's subsidiary company, Malaria Research Company Pty Ltd (MRC) holds the intellectual property and development costs relating to ArTiMist™.

On 16 April 2013, the Company announced that manufacturing scale-up batches had been successfully completed and the product manufactured had passed its quality assurance testing.

On 30 April 2013, the Company released its results based on the preliminary report for the ART004 Phase III clinical trial carried out in childhood malaria in Africa. The final report was received in late July 2013.

The results support the proposal that sub-lingual ArTiMist™ is an effective treatment for children with severe or complicated falciparum malaria, or uncomplicated falciparum malaria with gastrointestinal complications. The results also strongly support the potential role that ArTiMist™ may be able to play in the early interventional treatment of malaria in these cases.

The Phase III trial was carried out in malaria endemic areas of Rwanda, Burkina Faso and Ghana over a 22 month period from November 2010 to September 2012.

3. Oro-Mucosal drug delivery platform (OMDDP)

During the financial year, the Company negotiated and entered into a Sale and Purchase Agreement with NovaDel Pharma Inc. for the sale of intellectual property, NovaMist™, and inventory. The acquisition was settled in August 2013 following NovaDel receiving shareholder approval for the transaction.

The OMDDP enables rapid delivery of drugs into the bloodstream, which can result in a faster onset of action and potential patient benefits in compliance, convenience and safety. Sprays can deliver the drug into the salivary fluid or on to the mucosal surface of the mouth, thus making the drug readily available for absorption.

It is a proven technology platform with two drugs licenced and registered with the US FDA and with a significant number of studies published in international peer-reviewed journals. OMDDP adds incremental benefits to the business model by reducing the risks associated with drug development, ensuring greater regulatory compliance and efficiencies while reducing development costs and time to market.

The acquisition includes also a number of projects in different phases of clinical development and an extensive intellectual property (IP) estate of granted and filed patents containing a considerable number of future drug targets (small and large molecules) addressing several therapeutic areas. The IP portfolio is currently being screened to identify the most suitable development product mix that can deliver value and potentially the highest return to shareholders.

This acquisition is truly transformational for the Company and a catalyst for growth. It provides a launch pad that could result in the medium-term regulatory approvals and licensing opportunities. Additionally, it provides a strong foundation for future growth not only through drug lifecycle management but also by furthering the science behind the acquired technology to develop novel treatment modalities delivered via the oro-mucosal route, in the form of spray formulations.

A list of the products is shown below:

PROJECT	ACTIVE PHARMACEUTICAL INGREDIENT	DEVELOPMENT STATUS	INDICATION	GLOBAL MARKET SIZE	CURRENT AVAILABLE DOSE FORMS
ArTiMist™	Artemether	Phase III completed Regulatory documentation underway	Severe malaria	>$500m	Tablet and injection
SUD- 001	Sumatriptan	2 clinical trials	Migraine headache	US$200m in USA alone	Tablet, injection and nasal spray
SUD - 002	Ondansetron	Completed clinical trials for registration under the FDA section 505(b)(2)	Chemotherapy induced nausea and vomiting (CINV)	US$3.6bn in 2015	Liquid and solution for IV, IM, syrup, oral tablet, oral disintegrating tablet, oral film and suppositories.
SUD – 003 DuroMist™	Sildenafil citrate	Completed a non-IND pilot clinical trial (Demonstrated bioequivalence). IND opened for further work	Erectile Dysfunction (ED)	US$4.1bn	Oral tablet
SUD – 004	Sildenafil citrate	Completed Formulation	Pulmonary Arterial Hypertension	US$3.6bn in 2015	Tablet and injection
SUD - 005	Midazolam	Completed formulation	Pre-procedural anxiety	US$150-170m	IV, IM, continuous infusion and buccal liquid

4. HC Berlin Pharma AG (in liquidation)

As reported last year, the Company has had discussions with various parties related to HC Berlin Pharma regarding the manufacturing rights. It is the intention of the Directors to have these rights returned to the Company. It is the opinion of the Directors that the return of these rights will not be materially detrimental to the shareholders of Suda Ltd.

5. Corporate Structure

The Suda Group currently comprises of:

i. the parent entity,
ii. Westcoast Surgical and Medical Supplies Pty Ltd,
iii. Malaria Research Company Pty Ltd (ArTiMist™) and
iv. CN Nominees Pty Ltd (trustee company for convertible note holders).

Following the acquisition of NovaDel's assets, the various projects will be rolled into a separate legal entity as required. These subsidiary companies will be established in the 2014 financial year.

Financial Position

The net assets of the Group are $6,690,080 (2012: $7,012,033) a decrease of $321,953. During the year, the Company raised capital through the issue of convertible notes as well as finalising an agreement with Bergen Global Opportunity Fund, LP to invest up to an aggregate amount of $7.6m in the Company over a two year period.

The value of the intangible asset (primarily relating to ArTiMist™) increased to $8,180,275 (2012: $6,640,001 as ArTiMist™ progressed through the Phase III clinical trials and onto the registration phase.

Having access to an equity line of credit (available facility as at 30 June 2013 was $5,100,000) provides financial confidence to the Group. The Company draws down against this facility as required and issues shares in settlement of the drawdown amount.

The Directors believe the Group is in a strong and stable financial position to expand and grow its current operations.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the year:

i. Successfully raised $760,000 in convertible notes (2012 Convertible Note)

The proceeds from the 2012 Convertible Note were used in part to retire the 2009 Convertible Notes.

ii. Changed the name from Eastland Medical Systems Ltd to Suda Ltd

In December 2012, the Company changed its name to Suda Ltd as part of the re-launch of the Company into a new phase of growth. As part of the change, a new logo and website was introduced, as well as two new Board members following the resignation of Peter Jooste QC on 30 November 2012.

iii. Successfully secured up to $7.6m project funding

The Company entered into a funding agreement with Bergen Global Opportunity Fund, LP which is managed by Bergen Asset Management, LLC that provided up to $7.6m to the Company over two years. The funding agreement is for a maximum purchase of shares of $7m in tranches over the term of the agreement with an additional investment of $600,000 by way of Convertible Security which is unsecured and interest-free.

iv. Completed Phase III clinical trials for ArTiMist™

On 30 April 2013, the Company announced that it had received the preliminary results from ArTiMist™ Phase III African Malaria Trial in children. The final report was received in July 2013 which confirmed the preliminary results.

Outline of results is included above.

v. Commenced process to acquire intellectual property from NovaDel Pharma Inc

In December 2012, the Company signed an option to acquire the NovaMist™ sub-lingual platform technology and in April 2013, entered into a Sale and Purchase Agreement. The acquisition gives the Company the

NovaMist™ worldwide patent portfolio, a range of products including an oral spray version of Sildenafil (the active drug in Viagra™) that gives the Company a whole pipeline of projects in various stages of development.

Changes in Controlled Entities

The Company's subsidiary company, Medical Industries Australia Pty Ltd was de-registered 2 January 2013.

Dividends Paid or recommended

The Directors have recommended that no dividend be paid by the Company in respect of the financial year ended 30 June 2013.

Events after the Reporting Period

i. Final Report received for ArTiMist™ Clinical Trial

As highlighted in the Review of Operations, the final report for the ART004 Phase III clinical trial was received on 30 July 2013.

ii. Settlement of the purchase of NovaDel Intellectual Property

In July 2013 the NovaDel shareholders approved the transaction and settlement occurred on 13 August 2013.

The acquisition price includes cash ($400,000), issue of 50,000,000 shares and 10,000,000 options with an exercise price of 5 cents.

iii. Westcoast secured major tender

As discussed above, Westcoast secured preferred supplier status with a major, federal government funded organisation.

iv. Debtor finance facility

Due to rapid expansion in the operations of Westcoast, a $500,000 debtor finance facility was finalised in September 2013.

v. Capital raising

The Company successfully raised $1.9 million through the issue of convertible notes, of which $420,000 relates to Directors which is subject to shareholder approval.

Future Development, Prospects and Business Strategies

The Company's drug delivery business is in its various stages of development and is adopting a staged business and marketing strategy as the Company moves along the growth path and remain abreast with developments in the pharmaceutical industry.

The initial focus is going to be on the registration of ArTiMist™, the further development of the acquired clinical pipeline and add new projects sourced from the current IP estate.

The Company's project pipeline intends to adopt a multi-pronged commercial strategy providing income streams in the short to medium-term and the potential for a big upside in the future.

The Directors are of the opinion that the Company's current strategy and activities, in combination with a capital injection, will form the basis on which to realise the Company's potential.

Environmental Issues

The Group is not subject to any significant environmental legislation.

Mr Stephen Carter	Executive Chairman
Qualifications:	Bachelor of Science
Experience:	Stephen Carter has extensive pharmaceutical industry experience and has held a variety of senior positions with listed public companies including roles as both Chairman and Managing Director. He has extensive contacts and experience in the financial markets and the pharmaceutical industry and is well equipped to lead executive management through the Company's product commercialisation phase. He is an Australian citizen and resides in Perth, Western Australia.
Interest in Shares and Options:	Nil
Other Directorships:	Nil
Mr Michael Stewart	Non-Executive Director
Qualifications:	Bachelor of Applied Science (GeoPhysics)
Experience:	Michael Stewart joined the Board of Suda Ltd on 11 June 2009. He has a broad corporate and management background and has been extensively involved in bilateral donor funded and World Bank co-financed Aid Projects in under-developed countries.
Interest in Shares and Options:	1,983,334 Shares 6,000,000 Options
Other Directorships:	Nil
Mr Ken Robson	Non-Executive Director
Qualifications:	BJuris (Hons) LLB(Hons) (UWA)
Experience:	Ken Robson joined the company in March 2013. His background includes extensive experience as a Corporate Lawyer and Advisor, specialising in fundraising, market compliance and Mergers & Acquisitions. He also has a background as a barrister in the High Court of Australia and Courts of Appeal. Ken has an excellent knowledge of international fundraising and compliance having worked for clients based in the US, Britain, Switzerland, New Zealand and Australia. Ken resides in Perth, Western Australia.
Interest in Shares and Options:	Nil
Other Directorships:	Nil
Mr Joseph Ohayon	Director, Chief Financial Officer, Company Secretary
Qualifications:	Chartered Accountant, Masters of Business Administration: International Business
Experience:	Joseph Ohayon joined the company in July 2010 as the Chief Financial Officer and in March 2011 he took over the role of Company Secretary and then became an Executive Director and member of the Board in December 2012. He has over 20 years experience in financial roles. Joseph resides in Perth, Western Australia
Interest in Shares and Options:	Nil
Other Directorships:	Nil

Company Secretary

Joseph Ohayon held the position of Company Secretary at the financial year end.

Meeting of Directors

During the financial year, ten meetings of Directors (including committees of Directors) were held.

Attendances by each Director during the year were as follows:

	Directors' Meetings		Audit Committee		Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr Stephen Carter	10	10	2	2	1	1
Mr Michael Stewart	10	10	2	2	1	1
Mr Ken Robson	4	4	-	-	-	-
Mr Joseph Ohayon	5	5	1	1	1	1
Mr Peter Jooste QC	5	5	1	1	-	-

Indemnifying Officers or Auditor

To the extent permitted by law, the Company has indemnified each Director and Officers against liability arising from their role as Directors and officers, by paying premiums on an insurance contract. This insurance contract prohibits disclosure of the premium paid.

Options

At the date of this report, the unissued ordinary shares of Suda Ltd under option were as follows:

Date of expiry	Details	Exercise Price	Number
30 June 2014	Attached to convertible notes	5 cents	30,400,000
6 June 2015	As part of funding facility with Bergen Global opportunity Fund LP.	5 cents	7,500,000

Options holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

There have been no unissued shares or interests under option of any controlled entity within the Group during or since the end of the reporting period.

For details of options issued to Directors and executives as remuneration, refer to the Remuneration Report.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-audit Services

The Board of Directors, in accordance with advice from the Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors

imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

• all non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

• the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The total fees paid or payable to a related practice of HLB Mann Judd (WA Partnership) for non-audit services provided during the year ended 30 June 2013 was nil.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2013 has been received and can be found on page 30 of the Financial Report.

REMUNERATION REPORT (AUDITED)

Remuneration policy

The remuneration policy of Suda Ltd has been designed to align key management personnel (KMP) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Consolidated Group's financial results. The Board of Suda Ltd believes the remuneration policy to be appropriate and effective in its ability to attract and retain the high-quality KMP to run and manage the Consolidated Group, as well as create goal congruence between Directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the consolidated group is as follows:

• The remuneration policy is to be developed by the remuneration committee and approved by the Board after professional advice is sought from independent external consultants.

• The majority of KMP receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.

• Incentives paid in the form of options or rights are intended to align the interests of the Directors and the Company with those of the shareholders. In this regard, KMP are prohibited from limiting risk attached to those instruments by use of derivatives or other means.

• The Remuneration Committee reviews KMP packages annually by reference to the Consolidated Group's performance, executive performance and comparable information from industry sectors.

The performance of KMP is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the Consolidated Group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any change must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

KMP receive a superannuation guarantee contribution required by the government, which is currently 9% (9.25% from 1 July 2013) of the individual's average weekly ordinary time earnings (AWOTE), and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

Upon retirement, KMP are paid employee benefit entitlements accrued to the date of retirement. Any options not exercised before or on the date of termination will lapse.

All remuneration paid to KMP is valued at the cost to the company and expensed.

The Board's policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Remuneration Committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting.

KMP are also entitled and encouraged to participate in the employee share and option arrangements to align Directors' interests with shareholders' interests.

Options granted under the arrangement do not carry dividend or voting rights. Each option is entitled to be converted into one ordinary share once the interim or final financial report has been disclosed to the public and is valued using the Black-Scholes methodology.

In addition, the Board's remuneration policy prohibits Directors and KMP from using Suda Ltd's shares as collateral in any financial transaction, including margin loan arrangements.

Performance-based Remuneration

The KPIs are set annually, with a certain level of consultation with KMP. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Remuneration Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, Suda Ltd bases the assessment on audited figures, however, where the KPI involves comparison of the Group or a division within the Group to the market, independent reports are obtained from organisations such as Standard & Poors.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on KPI, and the second being the issue of options to the majority of Directors and executives to encourage the alignment of personal and shareholder interests.

	2009 $	2010 $	2011 $	2012 $	2013 $
Revenue	36,978	3,965,283	3,089,342	4,001,951	4,065,665
Net Loss	(3,168,182)	(4,856,312)	(4,423,195)	(4,437,023)	(1,667,519)
Share Price at year-end	0.03	0.03	0.03	0.013	0.025
Dividends Paid	0.00	0.00	0.00	0.00	0.00

Performance Conditions Linked to Remuneration

The performance related proportions of remuneration based on these targets are included in the following table. The objective of the reward schemes is to both reinforce the short and long-term goals of the Group and to provide a common interest between management and shareholders.

The satisfaction of the performance conditions is based on a review of the audited financial statements of the Group, as such figures reduce any risk of contention relating to payment eligibility. The Board does not believe that performance conditions should include a comparison with factors external to the Group at this time.

Employment Details of Members of Key Management Personnel

The following table provides employment details of persons who were, during the financial year, members of KMP of the Consolidated Group. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options.

Group Key Management Personnel	Position held as at 30 June 2013 and any change during the year	Contract details (duration & termination)
Mr Stephen Carter	Executive Chairman	3 months notice
Mr Michael Stewart	Non-Executive Director	No notice period
Mr Ken Robson	Non-Executive Director	No notice period
Mr Joseph Ohayon	Director, Chief Financial Officer and Company Secretary	3 months notice
Mr John Billingham	General Manager – Westcoast Surgical	3 months notice

	Proportions of elements of remuneration		
	related to performance	not related to performance	Total
Group Key Management Personnel	Options / Rights	Fixed salary / fee	
	%	%	%
Mr Stephen Carter	-	100	100
Mr Michael Stewart	-	100	100
Mr Ken Robson	-	100	100
Mr Joseph Ohayon	-	100	100
Mr John Billingham	-	100	100

The employment terms and conditions of KMP are formalised in contracts of employment.

Terms of employment require that the relevant Group entity provide an executive contracted person with a minimum of 3 months notice prior to termination of contract. A contracted person deemed employed on a permanent basis may terminate their employment by providing at least 1 month notice. Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance.

Non-Executive Directors are not subject to similar contracts.

Changes in Directors and Executives Subsequent to Year-end

There were no changes subsequent to the year ended 30 June 2013.

Remuneration Details for the Year Ended 30 June 2013

The following table of benefits and payments details, in respect to the financial year, the components of remuneration for each member of KMP of the Consolidated Group:

Table of Benefits and Payments for the Group Key Management Personnel for the year ended 30 June 2013:

2013	Short term benefits		Post employment benefits	Cash-settled share-based payments	
	Salary, fees and leave	Other	Pension and superannuation	Options / Rights	Total
	$	$	$	$	$
Mr Stephen Carter	233,220	-	20,090	-	253,310
Mr Michael Stewart	40,000	24,500	3,600	-	68,100
Mr Ken Robson	12,796	-	1,152	-	13,948
Mr Joseph Ohayon	106,244	72,556	9,562	-	188,362
Mr John Billingham	100,000	-	9,000	-	109,000
Mr Peter Jooste QC	22,917	-	2,062	-	24,979
	515,177	**97,056**	**45,466**	**-**	**657,699**

2012	Short term benefits		Post employment benefits	Cash-settled share-based payments	
	Salary, fees and leave $	Other $	Pension and superannuation $	Options / Rights $	Total $
Mr Stephen Carter	207,147	-	18,643	55,120	280,910
Mr Michael Stewart	40,000	10,600	3,600	55,120	109,320
Mr Joseph Ohayon	137,826	-	-	-	137,826
Mr John Billingham	98,749	-	8,887	-	107,636
Mr Peter Jooste QC	55,000	-	4,950	55,120	115,070
	538,722	**10,600**	**36,080**	**165,360**	**750,762**

Securities Received that are not Performance Related

No members of KMP are entitled to receive securities which are not performance-based as part of their remuneration package.

Cash Bonuses, Performance-Related Bonuses and Share-based Payments

There were no cash bonuses, performance-related bonuses or share-based payments issued during the year.

There were no options or rights granted at 30 June 2013.

Options or rights that lapsed during the year

		Lapse details:	
	Expiry date	Number	Value $
Mr Stephen Carter	30 June 2013	7,500,000	55,120
Mr Michael Stewart	30 June 2013	7,500,000	55,120
Mr Ken Robson	-	-	-
Mr Joseph Ohayon	-	-	-
Mr John Billingham	-	-	-
		15,000,000	110,240

This Directors' Report, incorporating the Remuneration Report, is signed in accordance with a Resolution of the Board of Directors.

Mr Stephen Carter
Executive Chairman

Date: 27 September 2013

AUDITOR'S INDEPENDENCE DECLARATION

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

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

a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

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

Perth, Western Australia
20 September 2013

N G Neill
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of HLB International, a worldwide organisation of accounting firms and business advisers.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated Group 2013 $	Consolidated Group 2012 $
Revenue	3	4,065,665	4,001,951
Other income	3	4,216	54,935
Raw materials and consumables used		(3,260,467)	(3,402,211)
Employee benefits expense		(1,258,897)	(1,267,244)
Depreciation and amortisation expense		(33,573)	(55,824)
Finance costs		(67,507)	(61,922)
Impairment of property, plant and equipment		-	(2,777,447)
Other expenses		(1,291,173)	(1,233,504)
Loss before income tax	4	(1,841,736)	(4,741,266)
Income tax benefit	5	174,217	304,243
Loss for the year	4	(1,667,519)	(4,437,023)
Total comprehensive loss for the year		(1,667,519)	(4,437,023)
Earnings per share			
Basic earnings per share (cents)	8	(0.3)	(0.8)
Diluted earnings per share (cents)	8	(0.3)	(0.7)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2013

	Note	Consolidated Group 2013 $	Consolidated Group 2012 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	752,619	1,590,003
Trade and other receivables	10	635,350	671,303
Inventories	11	803,293	715,947
Other assets	16	240,533	77,152
TOTAL CURRENT ASSETS		2,431,795	3,054,405
NON-CURRENT ASSETS			
Property, plant and equipment	14	116,876	60,170
Intangible assets	15	8,180,275	6,640,001
TOTAL NON-CURRENT ASSETS		8,297,151	6,700,171
TOTAL ASSETS		10,728,946	9,754,576
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	2,876,866	2,041,543
Borrowings	18	562,000	701,000
TOTAL CURRENT LIABILITIES		3,438,866	2,742,543
NON-CURRENT LIABILITIES			
Borrowings	18	600,000	-
TOTAL NON-CURRENT LIABILITIES		600,000	-
TOTAL LIABILITIES		4,038,866	2,742,543
NET ASSETS		**6,690,080**	**7,012,033**
EQUITY			
Issued capital	19	40,128,687	38,857,967
Reserves	27	74,846	1,263,621
Accumulated losses		(33,513,453)	(33,109,555)
TOTAL EQUITY		**6,690,080**	**7,012,033**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	Issued capital	Accumulated Losses	Share Redemption Reserve	Share-based Payments Reserve	Total
	$	$	$	$	$
Consolidated Group					
Balance at 1 July 2011	38,620,980	(28,672,532)	3,622	1,080,165	11,032,235
Loss for the period		(4,437,023)			(4,437,023)
Shares issued during the year	268,987				268,987
Transaction costs	(32,000)				(32,000)
Issue of share options				165,361	165,361
Issue of share options under share-based payment				14,473	14,473
Balance at 30 June 2012	**38,857,967**	**(33,109,555)**	**3,622**	**1,259,999**	**7,012,033**
Balance at 1 July 2012	38,857,967	(33,109,555)	3,622	1,259,999	7,012,033
Loss for the period		(1,667,519)			(1,667,519)
Shares issued during the year	1,508,856				1,508,856
Transaction costs	(238,136)				(238,136)
Issue of share options				74,846	74,846
Transfer from Share-based payments reserve to Retained Earnings		1,259,999		(1,259,999)	-
Transfers from Share Redemption Reserve to Retained Earnings		3,622	(3,622)		-
Balance at 30 June 2013	**40,128,687**	**(33,513,453)**	**-**	**74,846**	**6,690,080**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated Group 2013 $	2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		4,241,676	4,003,673
Interest received		20,604	93,082
Receipts for R&D tax concessions and incentive		304,243	-
Payments to suppliers and employees		(6,113,969)	(5,810,930)
Finance costs		(61,842)	(53,595)
Net cash provided by/(used in) operating activities	23a	(1,609,288)	(1,767,770)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		4,000	-
Purchase of property, plant and equipment		(78,243)	(15,580)
Purchase of other non-current assets		(833,186)	(18,030)
Loan to related parties			
- proceeds from repayments		-	17,692
Net cash provided by/(used in) investing activities		(907,429)	(15,918)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,000,856	228,989
Proceeds from borrowings		968,000	83,000
Receipt of funds for future issue of shares		100,000	-
Repayment of borrowings		(392,000)	(498,840)
Payments for capital raising costs		(13,290)	-
Net cash provided by/(used in) financing activities		1,663,566	(186,851)
Net increase/(decrease) in cash held		(853,151)	(1,970,539)
Cash and cash equivalents at beginning of financial year	9	1,590,003	3,560,542
Effect of exchange rates on cash holdings in foreign currencies		15,767	-
Cash and cash equivalents at end of financial year	9	**752,619**	**1,590,003**

The accompanying notes form part of these financial statements.

FOR THE YEAR ENDED 30 JUNE 2013

These consolidated financial statements and notes represent those of Suda Ltd and its Controlled Entities (the "consolidated group" or "group"). The separate financial statements of the parent entity, Suda Ltd, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 20 September 2013 by the Directors of the Company.

Note 1 Summary of Significant Accounting Policies

Basis of Preparation

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Suda Ltd at the end of the reporting period. A controlled entity is any entity over which Suda Ltd has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 13 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statements showing profit or loss and other comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

(b) Income Tax

The income tax expense/(benefit) for the year comprises current income tax expense/(benefit) and deferred tax expense/(benefit).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(benefit) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on the basis of weighted average costs.

(d) Property, Plant and Equipment

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

FOR THE YEAR ENDED 30 JUNE 2013

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(f) for details of impairment).

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

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	20%
Plant and equipment	20%
Leased plant and equipment	10 - 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(e) Financial Instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

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

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) Financial Liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

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

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Financial Guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:
– the likelihood of the guaranteed party defaulting during the next reporting period;
– the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
– the maximum loss exposure if the guaranteed party were to default.

Financial guarantees are subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised in accordance with AASB 118.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(f) Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use.

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(g) Investments in Associates

Associates are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the Group. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition, the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

The carrying amount of the investment includes goodwill relating to the associate. Any discount on acquisition whereby the Group's share of the net fair value of the associate exceeds the cost of investment is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

Details of the Group's investment in associates are shown at Note 12.

(h) Intangibles Other than Goodwill

Patents and trademarks

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

Research and development

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

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

(i) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income, otherwise the exchange difference is recognised in the profit or loss.

(j) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

(k) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(l) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest method.

All revenue is stated net of the amount of goods and services tax.

(m) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(f) for further discussion on the determination of impairment losses.

FOR THE YEAR ENDED 30 JUNE 2013

(n) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(o) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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 ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(q) Going Concern

The financial report has been prepared on the going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. This includes the continued development and commercialisation of the Company's current projects.

The consolidated entity has reported a net loss from operations for the period of $1,667,519 (2012: $4,437,023) and a cash outflow from operating activities of $1,609,288 (2012: $1,767,770). The current liabilities exceed current assets by $1,007,071 (2012: ($311,862)).

The Company has access to $5,100,000 (Note 19 (d)) with Bergen Global Opportunity Fund LP over the next 17 months. After balance date, the Company successfully raised $1,900,000 through an issue of convertible notes, of which $420,000 is subject to shareholder approval.

The Directors are confident that the consolidated entity will be able to continue its operations as a going concern.

(r) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(s) Critical Accounting Estimates and Judgments

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

Key Estimates

(i) Impairment - General

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

(t) Adoption of new and revised standards

In the year ended 30 June 2013, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current annual reporting period.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2013. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no change is necessary to Group accounting policies.

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Note 2 Parent Information

	Note	2013 $	2012 $
The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.			
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Current Assets		1,117,932	307,118
Non-current Assets		1,227,705	9,060,409
TOTAL ASSETS		2,345,637	9,367,527
LIABILITIES			
Current Liabilities		2,684,688	2,123,292
Non-current Liabilities		600,000	-
TOTAL LIABILITIES		3,284,688	2,123,292
NET ASSETS	**2 (a)**	**(939,051)**	**7,244,235**
EQUITY			
Issued capital		40,128,687	38,857,967
Retained earnings		(41,142,584)	(32,877,353)
Share redemption reserve		-	3,622
Option reserve		74,846	1,259,999
TOTAL EQUITY		**(939,051)**	**7,244,235**
STATEMENT OF COMPREHENSIVE INCOME			
Total loss and total comprehensive loss for the period		(9,528,852)	(5,496,184)

(a) The negative movement in the net asset position to $(939,051) (2012: $7,244,235) is due to transfer of Intangible Asset for $8,178,275 to a subsidiary company, Malaria Research Company Pty Ltd.

Guarantees

Suda Ltd has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Contingent liabilities

Refer to note 21 for details

Note 3 Revenue and Other Income

	Consolidated Group 2013 $	2012 $
Revenue from continuing operations		
Sales revenue		
— sale of goods	4,045,060	3,908,869
	4,045,060	3,908,869
Other revenue		
— interest received	20,605	93,082
	20,605	93,082
Total revenue	4,065,665	4,001,951
Other income		
— gain on disposal of property, plant and equipment	4,000	-
— other income	216	54,935
Total other income	4,216	54,935

FOR THE YEAR ENDED 30 JUNE 2013

Note 4 Loss for the Year

Loss before income tax from continuing operations includes the following specific expenses:	Consolidated Group 2013	2012
(a) Expenses	$	$
Cost of sales	3,211,180	3,243,486
Write down of inventories to net realisable value	2,496	23,121
Write-off of obsolete stock	46,791	135,604
	3,260,467	3,402,211
Interest expense on financial liabilities not at fair value through profit or loss:		
— Other persons	67,507	61,922
Total finance cost	67,507	61,922
Impairment of intellectual property	-	2,777,447
Depreciation and amortisation of non-current assets	33,573	55,824
Share-based payments expense	-	165,361
Included in Other expenses:		
Legal and professional fees	469,304	466,958
Bad and doubtful debts:		
— trade receivables	-	20,743
Rental expense on operating leases		
— minimum lease payments	9,953	31,188
Other	811,916	714,615

Note 5 Tax Expense

	Consolidated Group 2013	2012
	$	$
(a) The components of tax (expense)/income comprise:		
Current tax	174,217	304,243
	174,217	304,243
(b) The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2012: 30%)		
— consolidated group	(552,521)	(1,422,380)
Add:		
Tax effect of:		
— non-deductible expenses	152,490	196,838
	(400,031)	(1,225,542)
Research and development tax offset	(174,217)	(304,243)
Less:		
Tax effect of:		
— Temporary differences and tax losses not brought to account	400,031	1,225,542
Income tax attributable to entity	(174,217)	(304,243)
The applicable weighted average effective tax rates are as follows:	0.0%	0.0%
(c) Unrecognised deferred tax balances of Australian income tax consolidated group:		
Unrecognised deferred tax asset - revenue losses	6,526,640	6,107,083
Unrecognised deferred tax asset - capital losses	1,652,885	1,652,885
Unrecognised deferred tax asset - other	91,035	93,274
Unrecognised deferred tax equity	19,032	40,563
Unrecognised deferred tax liabilities	(485)	-
	8,289,107	7,893,805

FOR THE YEAR ENDED 30 JUNE 2013

Note 6 Key Management Personnel Compensation

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2013.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2013 $	2012 $
Short-term employee benefits	612,233	549,322
Post-employment benefits	45,466	36,080
Share-based payments	-	165,360
Total KMP compensation	657,699	750,762

KMP Options and Rights Holdings

The number of options over ordinary shares held during the financial year by each KMP of the Group is as follows:

30 June 2013	Balance at beginning of year	Granted during the year	Other changes during the year	Balance at end of year	Vested during the year	Vested and exercisable
Mr Stephen Carter	7,500,000	-	(7,500,000)	-	-	-
Mr Michael Stewart	7,740,000	6,000,000	(7,500,000)	6,240,000	6,240,000	6,240,000
Mr Kenneth Robson	-	-	-	-	-	-
Mr Joseph Ohayon	-	-	-	-	-	-
Mr John Billingham	-	-	-	-	-	-
Mr Peter Jooste	7,550,000	-	(7,550,000)	-	-	-
	22,790,000	6,000,000	(22,550,000)	6,240,000	6,240,000	6,240,000

30 June 2012	Balance at beginning of year	Granted during the year	Other changes during the year	Balance at end of year	Vested during the year	Vested and exercisable
Mr Stephen Carter	-	7,500,000	-	7,500,000	7,500,000	7,500,000
Mr Michael Stewart	-	7,500,000	240,000	7,740,000	7,740,000	7,740,000
Mr Joseph Ohayon	-	-	-	-	-	-
Mr John Billingham	-	-	-	-	-	-
Mr Peter Jooste	-	7,500,000	50,000	7,550,000	7,550,000	7,550,000
	-	22,500,000	290,000	22,790,000	22,790,000	22,790,000

KMP Shareholdings

The number of ordinary shares in Suda Ltd held by each KMP of the Group during the financial year is as follows:

30 June 2013	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
Mr Stephen Carter	-	-	-	-	-
Mr Michael Stewart	1,983,334	-	-	-	1,983,334
Mr Kenneth Robson	-	-	-	-	-
Mr Joseph Ohayon	-	-	-	-	-
Mr John Billingham	320,000	-	-	364,972	684,972
Mr Peter Jooste	2,533,333	-	-	(2,533,333)	-
	4,836,667	-	-	(2,168,361)	2,668,306

30 June 2012	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
Mr Stephen Carter	-	-	-	-	-
Mr Michael Stewart	983,334	-	-	1,000,000	1,983,334
Mr Kenneth Robson	-	-	-	-	-
Mr Joseph Ohayon	-	-	-	-	-
Mr John Billingham	320,000	-	-	-	320,000
Mr Peter Jooste	2,533,333	-	-	-	2,533,333
	3,836,667	-	-	1,000,000	4,836,667

Other KMP Transactions

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

For details of other transactions with and loans to KMP, refer to Note 25: Related Party Transactions.

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Note 7 Auditors' Remuneration

	Consolidated Group 2013 $	2012 $
Remuneration of the auditor for:		
— auditing or reviewing the financial report	50,000	42,000
— taxation services	-	12,000
	50,000	54,000

Note 8 Earnings per Share

		Consolidated Group 2013 $	2012 $
(a)	Reconciliation of earnings to profit or loss		
	Loss	(1,667,519)	(4,437,023)
	Earnings used to calculate basic EPS	(1,667,519)	(4,437,023)
	Earnings used in the calculation of dilutive EPS	(1,667,519)	(4,437,023)
		No.	No.
(b)	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	610,997,895	594,393,822
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	610,997,895	654,610,877

Note 9 Cash and Cash Equivalents

	Note	Consolidated Group 2013 $	2012 $
Cash at bank and on hand		752,619	1,590,003
	26	752,619	1,590,003

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	752,619	1,590,003
	752,619	1,590,003

A floating charge over cash and cash equivalents has been provided for certain debt. Refer to Note 18 for further details.

Note 10 Trade and Other Receivables

	Note	Consolidated Group 2013 $	2012 $
CURRENT			
Trade receivables	10d	479,959	385,886
Provision for impairment	10b(i)	(18,826)	(18,826)
		461,133	367,060
Government subsidies receivable	10a	174,217	304,243
Total current trade and other receivables		635,350	671,303
NON-CURRENT			
Amounts receivable from related parties:			
— associated companies		168,236	168,236
— provision for impairment - associated companies	10b(iii)	(168,236)	(168,236)
— HC Berlin Pharma AG		16,480	16,480
— (Provision for impairment of receivables - hc berlin		(16,480)	(16,480)
Total non-current trade and other receivables		-	-

(a) **Government Subsidies**

R&D Tax Incentive for the year ended 30 June 2013

FOR THE YEAR ENDED 30 JUNE 2013

Note 10 Continued

(b) **Provision For Impairment of Receivables**

Movement in the provision for impairment of receivables is as follows:

	Note	Opening Balance 01.07.11	Charge for the Year	Amounts Written Off	Closing Balance 30.06.12
Consolidated Group		$	$	$	$
(i) Current trade receivables		65,859	1,482	(48,515)	18,826
(ii) Non-current related parties	25	16,480	-	-	16,480
(iii) Non-current associated companies		168,236	-	-	168,236
		250,575	1,482	(48,515)	203,542

	Note	Opening Balance 01.07.12	Charge for the Year	Amounts Written Off	Closing Balance 30.06.13
Consolidated Group		$	$	$	$
(i) Current trade receivables		18,826	-	-	18,826
(v) Non-current related parties	25	16,480	-	-	16,480
(vi) Non-current associated companies		168,236	-	-	168,236
		203,542	-	-	203,542

Credit risk

The Group has no significant concentration of credit risk with respect to any single counter-party or group of counter-parties other than those receivables specifically provided for and mentioned within Note 10. The class of assets described as trade and other receivables is considered to be the main source of credit risk related to the Group.

On a geographic basis, the Group has significant credit risk exposures in Australia given the substantial operations in those regions. The Group's exposure to credit risk for receivables at the end of the reporting period in those regions is as follows:

	Consolidated Group 2013	2012
AUD	$	$
Australia	635,350	671,303
	635,350	671,303

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled with the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

Consolidated Group			Past due but not impaired (days overdue)				
	Gross Amount	Past due and impaired	<30	31-60	61-90	>90	Within initial trade terms
2013	$	$	$	$	$	$	$
Trade and term receivables	479,959	18,826	97,209	14,541	-	-	349,383
Other receivables	358,933	184,716	-	-	-	-	174,217
Total	838,892	203,542	97,209	14,541	-	-	523,600

Consolidated Group			Past due but not impaired (days overdue)				
	Gross Amount	Past due and impaired	<30	31-60	61-90	>90	Within initial trade terms
2012	$	$	$	$	$	$	$
Trade and term receivables	385,886	18,826	103,709	34,888	413	-	228,050
Other receivables	488,959	184,716	-	-	-	-	304,243
Total	874,845	203,542	103,709	34,888	413	-	532,293

(c) **Collateral Held as Security**

A floating charge over trade receivables has been provided for the convertible notes. Refer to Note 18 for details

(d) **Financial Assets Classified as Loans and Receivables**	Note	Consolidated Group 2013 $	2012 $
Trade and other Receivables			
— Total current		635,350	671,303
Financial assets	26	635,350	671,303

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Note 11 Inventories

	Consolidated Group 2013 $	2012 $
CURRENT		
At cost:		
Finished goods	619,914	540,056
	619,914	540,056
At net realisable value:		
Finished goods - at cost	244,505	234,521
Less: provision for obsolescence	(61,126)	(58,630)
	183,379	175,891
	803,293	715,947

Note 12 Associated Companies

Interests are held in the following associated companies

	Name	Principal Activities	Country of Incorporation	Shares	Ownership Interest 2013 %	Ownership Interest 2012 %	Carrying Amount of Investment 2013 $	Carrying Amount of Investment 2012 $
	Unlisted:							
(i)	Health In Form (Pty) Ltd	Medical Consumables	South Africa	Ordinary	30.00%	30.00%	-	-
(ii)	Eastland Medical Systems PL	Medical Consumables	United Kingdom	Ordinary	35.00%	35.00%	-	-
							-	-

Note 13 Controlled Entities

(a) **Controlled Entities Consolidated**

	Country of Incorporation	Percentage Owned (%)* 2013	2012
Subsidiaries of Suda Ltd:			
Westcoast Surgical and Medical Supplies Pty Ltd	Australia	100.00	100.00
Malaria Research Company Pty Ltd	Australia	100.00	100.00
Eastland CN Nominees Pty Ltd	Australia	100.00	100.00
Medical Industries Australia Pty Ltd **	Australia	0.00	100.00

* Percentage of voting power is in proportion to ownership

** Medical Industries Australia Ptd Ltd was de-registered 2 January 2013.

Note 14 Property, Plant and Equipment

	Consolidated Group 2013 $	2012 $
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	341,759	387,047
Accumulated depreciation	(239,419)	(340,637)
	102,340	46,410
Leasehold improvements		
At cost	40,792	33,235
Accumulated amortisation	(26,256)	(19,475)
Total Leasehold Improvements	14,536	13,760
Total plant and equipment	116,876	60,170
Total property, plant and equipment	116,876	60,170

FOR THE YEAR ENDED 30 JUNE 2013

Note 14 Continued

(a) **Movements in Carrying Amounts**

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Leasehold Improvements $	Plant and Equipment $	Total $
Consolidated Group:			
Balance at 1 July 2011	16,304	84,109	100,413
Additions	-	15,581	15,581
Depreciation expense	(2,544)	(53,280)	(55,824)
Balance at 30 June 2012	13,760	46,410	60,170
Additions	7,556	82,723	90,279
Disposals		-	-
Depreciation expense	(6,780)	(26,793)	(33,573)
Balance at 30 June 2013	14,536	102,340	116,876

Note 15 Intangible Assets

	Consolidated Group 2013 $	2012 $
Development costs		
Cost	8,783,622	7,243,348
Accumulated amortisation and impairment losses	(603,347)	(603,347)
Net carrying amount	8,180,275	6,640,001
Total intangibles	8,180,275	6,640,001

Consolidated Group:

	Goodwill $	Trademarks & Licences $	Development Costs $	Total $
Year ended 30 June 2012				
Balance at the beginning of year	1,556,042	1,766,163	5,880,305	7,646,468
Additions		-	759,696	759,696
Impairment losses	(1,556,042)	(1,766,163)	-	(1,766,163)
	-	-	6,640,001	6,640,001
Year ended 30 June 2013				
Balance at the beginning of year	-	-	6,640,001	6,640,001
Additions	-	-	1,540,274	1,540,274
Closing value at 30 June 2013	-	-	8,180,275	8,180,275

Intangible assets have finite useful lives.

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 10-year period using an estimated growth rate. The cash flows are discounted using the weighted average cost of capital at the beginning of the budget period, which was 15%.

Management has based the value-in-use calculations on budgets for the pharmaceutical development segment. These budgets use internal and external inputs in determining growth rates to project revenue. Costs are calculated taking into account industry standard gross margins as well as estimated weighted average inflation rates over the period which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

Note 16 Other Assets

	Consolidated Group 2013 $	2012 $
CURRENT		
Prepayments	240,533	77,152
	240,533	77,152

FOR THE YEAR ENDED 30 JUNE 2013

Note 17 Trade and Other Payables

	Note	Consolidated Group 2013 $	2012 $
CURRENT			
Trade payables		967,557	979,256
Sundry payables and accrued expenses		1,909,309	1,062,287
		2,876,866	2,041,543

The provision for annual leave entitlements that have vested due to employees having completed the required period of service have been included in current liabilities. Based on past experience, the Group does not expect the full amount of annual leave classified as current liabilities to be settled within the next twelve months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

Note 18 Borrowings

		Consolidated Group 2013 $	2012 $
CURRENT			
Convertible Notes	a (i)	562,000	701,000
Total current borrowings		562,000	701,000
NON-CURRENT			
Unsecured liabilities			
Convertible Notes	a (ii)	600,000	-
Total non-current borrowings		600,000	-
Total borrowings	26	1,162,000	701,000

			Consolidated Group 2013 $	2012 $
(a)	Summary of borrowing arrangements			
	Convertible Notes			
	During the period, the Company issued:			
	(i) Convertible Notes, expiring 30 June 2014, interest rate 8%.	(c)	760,000	-
	Less: amount converted into shares		198,000	-
	Balance at end of period		562,000	-
	(ii) Convertible Note, expiring 6 December 2014, pursuant to the Share Purchase and Convertible Security Agreement which was signed on 6 December 2012 with Bergen Global Opportunity Fund, LP. There is no interest charged on the Convertible Note and the Convertible Note is unsecured.		600,000	-
	During the period, the Company repaid:			
	Convertible Notes, expired on 30 June 2012, interest rate 6%.			
	Balance at beginning of the period		701,000	701,000
	Amount repaid		(701,000)	-
	Balance at end of period		-	701,000
	Total Convertible Notes at end of period		1,162,000	701,000

(b) Collateral provided

Convertible Notes (expiring 30 June 2014) are secured by floating charges over the assets of the parent entity and Westcoast Surgical and Medical Supplies Pty Ltd.

Assets that have been pledged as part of the total collateral for the benefit of convertible note holders are as follows:

Current	**Note**		
Floating charge			
Cash and cash equivalents	9	-	1,590,003
Trade receivables	10	461,133	367,060
Inventory	11	803,293	-
Total financial assets pledged		1,264,426	1,957,063
Non Current			
Property, plant and equipment		116,876	60,170
Intangible assets		8,180,275	-
		8,297,151	60,170
Total collateral provided		9,561,577	2,017,233

FOR THE YEAR ENDED 30 JUNE 2013

Note 18 Continued

(c) **Convertible Notes**

The maturity profile of convertible notes on issue is as follows:

Maturity Dates	Interest Rates (%)	Consolidated Group 2013 $	Consolidated Group 2012 $
30/06/2014	8.0	562,000	-
15/06/2015	0.0	600,000	-
30/06/2012	6.0	-	701,000
		1,162,000	701,000

Note 19 Issued Capital

	Consolidated Group 2013 $	Consolidated Group 2012 $
653,648,691 (2012: 594,394,120) fully paid ordinary shares	40,128,687	38,857,967
	40,128,687	38,857,967

(a) **Ordinary Shares**

	Consolidated Group 2013 No.	2013 $	2012 No.	2012 $
At the beginning of the reporting period	594,394,120	38,857,967	594,372,331	38,620,980
Shares issued during the year			21,789	236,987
— exercise of options	17,122	856	-	-
— conversion of convertible notes	9,900,000	198,000	-	-
— settlement of acquisition of intellectual property	357,142	10,000	-	-
— pursuant to Share Purchase and Convertible Security Agreement	48,980,307	1,300,000	-	-
— capital raising fees	-	(238,136)	-	-
At the end of the reporting period	653,648,691	40,128,687	594,394,120	38,857,967

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(b) **Listed Options**

	EMSOA 2013 No.	EMSOA 2012 No.
At the beginning of the reporting period	53,496,864	-
Options issued during the year	-	53,496,864
Options exercised during the year	(17,122)	-
Options expired during the year	(53,479,742)	-
At the end of the reporting period	-	53,496,864

(c) **Options**

For information relating to share options issued to key management personnel during the financial year, refer to Note 6.

(d) **Finance Facility**

		Consolidated Group 2013 $	Consolidated Group 2012 $
On 10th December 2012, the Company secured a $7,600,000 facility with Bergen Global Opportunity Fund LP.			
(i) The facility comprised of:			
Convertible Note	18(a)(ii)	600,000	-
Equity line of credit		7,000,000	-
		7,600,000	-
Amount drawdown in period		(1,700,000)	-
Facility not used and expired		(800,000)	
Facility available at 30 June 2013	(ii)	5,100,000	-
(ii) Months remaining of the facility: 17 at a maximum rate of $300,000 per month		5,100,000	-

At 30 June 2013, the Company had met all conditions precedent relating to the finance facility.

FOR THE YEAR ENDED 30 JUNE 2013

Note 19 Continued

(e) **Capital Management**

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital, convertible notes and financial liabilities, supported by financial assets.

The Group is not subject to any externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

The Company issued new convertible notes during the year, as follows:

(i) Convertible notes to repay convertible notes that expired on 30 June 2012. Refer to Note 18.

(ii) Convertible notes pursuant to the Share Purchase and Convertible Security Agreement. Refer to Note 18.

		Consolidated Group	
		2013	2012
	Note	$	$
Total borrowings	17, 18	4,038,866	2,742,543
Less cash and cash equivalents	9	(752,619)	(1,590,003)
Net debt		3,286,247	1,152,540
Total equity		6,690,080	7,012,033
Total capital		9,976,327	8,164,573
Gearing ratio		33%	14%

Note 20 Capital and Leasing Commitments

	Consolidated Group	
	2013	2012
Operating Lease Commitments	$	$
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable — minimum lease payments		
— not later than 12 months	187,373	155,200
— between 12 months and 5 years	351,654	27,512
	539,027	182,712

The property leases are a non-cancellable lease with a three-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require that minimum lease payments shall be increased by the greater of change in the consumer price index (CPI) or 4%. An option exists to renew the lease at the end of the three-year term for an additional term of two years. The lease allows for subletting of all lease areas.

Note 21 Contingent Liabilities and Contingent Assets

Estimates of the potential financial effect of contingent liabilities that may become payable:

Contingent Liabilities

Employee disputes

An action in the District Court between a former Director and the Company in relation to past employment. The matter failed to settle at mediation and the hearing date has been set for later this year. The Company has received legal advice that it has a strong case and will defend the action. The outcome of litigation is always uncertain and there is a risk that an outcome adverse to the Company will result in a judgment against the Company for damages, interest and costs.

An action in the Supreme Court between a former Director and the Company in relation to ownership of intellectual property. The matter failed to settle at mediation and has been listed for hearing later this year. The Company has received legal advice that it has a strong case and will defend the action. The outcome of litigation is always uncertain and there is a risk that an outcome adverse to the Company will result in a judgment against the Company for damages, interest and costs.

Guarantees provided by the parent entity and subsidiary

The parent entity and its subsidiary company, Westcoast Surgical and Medical Supplies Pty Ltd, have provided security to third parties in relation to the convertible notes. The security is for the term of the facilities. The period covered by the security is until maturity of the convertible notes on 30 June 2014.

At the end of the reporting period, the balance on the convertible notes is $562,000. (refer to Note 18)

FOR THE YEAR ENDED 30 JUNE 2013

Note 22 Operating Segments

General Information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Types of products and services by segment

(i) *Suda*

Suda is the pharmaceutical development segment and performs research and development to create new human pharmaceutical products by combining proven drugs with innovated, patented, delivery technologies.

(ii) *Westcoast Surgical & Medical Supplies (Westcoast)*

Westcoast is a sales and logistics operation for medical devices and consumables.

(iii) *Malaria Research Company (MRC)*

MRC is the pharmaceutical development segment for the treatment of malaria, i.e. the ArTiMist™ project. ArTiMist™ malaria treatment has successfully completed phase III trials and has entered the registration process.

Basis of accounting for purposes of reporting by operating segments

(a) **Accounting policies adopted**

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

(b) **Inter-segment transactions**

An internally determined transfer price is set for all inter-segment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segment's overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

(c) **Segment assets**

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of the economic value from the asset. In most instances, segment assets are clearly identifiable on the basis of their nature and physical location.

(d) **Segment liabilities**

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

(e) **Unallocated items**

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

Derivatives, net gains on disposal of available-for-sale investments, impairment of assets and other non-recurring items of revenue or expense, income tax expense, deferred tax assets and liabilities, current tax liabilities, other financial liabilities, discontinued operations, retirement benefit obligations

(f) **Segment information**

(i) **Segment performance**

30 June 2013	Suda $	Westcoast $	MRC $	All Other Segments $	Total $
REVENUE					
External sales	-	4,045,061	-	-	4,045,061
Inter-segment sales	68,795	-	-	-	68,795
Interest revenue	20,604	-	-	-	20,604
Total segment revenue	89,399	4,045,061	-	-	4,134,460
Reconciliation of segment revenue to group revenue					
Inter-segment elimination					(68,795)
Total group revenue					4,065,665
Segment net profit from continuing operations before tax	(9,450,823)	(333,892)	8,178,275	40,001	(1,566,439)
Reconciliation of segment result to group net profit/loss before tax					
i. Amounts not included in segment result but reviewed by Board					
— Depreciation and amortisation					(33,573)
ii. Unallocated items					
— Finance costs					(67,507)
Net loss before tax from continuing operations					(1,667,519)

FOR THE YEAR ENDED 30 JUNE 2013

Note 22 **Continued**

30 June 2012	Suda $	Westcoast $	MRC $	All Other Segments $	Total $
REVENUE					
External sales	-	3,908,870	-	-	3,908,870
Inter-segment sales	-	-	-	3,427	3,427
Interest revenue	93,081	-	-	-	93,081
Total segment revenue	93,081	3,908,870	-	3,427	4,005,378
Reconciliation of segment revenue to group revenue					
Inter segment elimination					(3,427)
Total group revenue					4,001,951
Segment net profit from continuing operations before tax	(1,439,380)	(512,134)	-	105,437	(1,846,077)
Reconciliation of segment result to group net profit/loss before tax					
i. Amounts not included in segment result but reviewed by Board					
— Depreciation and amortisation					(55,824)
— Impairment of property, plant and equipment					(2,777,443)
ii. Unallocated items					
— Finance costs					(61,922)
Net loss before tax from continuing operations					(4,741,266)

(ii) **Segment assets**

30 June 2013					
Segment assets	2,345,637	1,415,318	8,178,275	-	11,939,230
Reconciliation of segment assets to group assets					
Intersegment eliminations					(1,210,284)
Total group assets					10,728,946
Segment asset increases for the period:					
— capital expenditure	79,281	10,997	8,178,275	-	8,268,553
Intersegment eliminations	-	-	(6,640,001)	-	(6,640,001)
Total net capital expenditure	79,281	10,997	1,538,274	-	1,628,552
30 June 2012					
Segment assets	9,367,527	1,287,265	-	-	10,654,792
Reconciliation of segment assets to group assets					
Intersegment eliminations					(900,216)
Total group assets					9,754,576
Segment asset increases for the period:					
— capital expenditure	6,658	8,922	-	-	15,580

(iii) **Segment liabilities**

30 June 2013					
Segment liabilities	2,122,688	1,964,461	-	-	4,087,149
Reconciliation of segment liabilities to group liabilities					
Intersegment eliminations					(1,210,284)
Unallocated liabilities:					
— Other financial liabilities					1,162,000
Total group liabilities					4,038,865
30 June 2012					
Segment liabilities	1,422,292	1,479,467	-	40,000	2,941,759
Reconciliation of segment liabilities to group liabilities					
Intersegment eliminations					(900,216)
Unallocated liabilities:					
— Other financial liabilities					701,000
Total group liabilities					2,742,543

FOR THE YEAR ENDED 30 JUNE 2013

Note 22 Continued

(iv) **Revenue by geographical region**

Revenue, including revenue from discontinued operations, attributable to external customers is disclosed below, based on the location of the external customer:

	30 June 2013 $	30 June 2012 $
Australia	4,065,665	4,001,951
Total revenue	4,065,665	4,001,951

(v) **Assets by geographical region**

The location of segment assets by geographical location of the assets is disclosed below:

	30 June 2013 $	30 June 2012 $
Australia	10,728,946	9,754,576
Total Assets	10,728,946	9,754,576

(vi) **Major customers**

The Group has a number of customers to whom it provides both products and services. The Group supplies a single external customer in the medical devices and consumables segment who accounts for 29% of external revenue (2012: 44%). The next most significant client accounts for 17% (2012: 11%) of external revenue.

Note 23 Cash Flow Information

	Consolidated Group 2013 $	2012 $
(a) **Reconciliation of Cash Flow from Operations with Profit after Income Tax**		
Profit after income tax	(1,667,519)	(4,437,023)
Non-cash flows in profit		
Depreciation	33,573	55,824
Write-off of obsolete stock	49,287	158,725
Net (gain)/loss on disposal of property, plant and equipment	(4,000)	-
Writeoff of bad debts	-	20,743
Share options expensed	-	179,834
Impairment loss	-	2,777,447
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
(Increase)/decrease in trade and term receivables	(138,264)	(300,061)
(Increase)/decrease in prepayments	68,620	66,887
(Increase)/decrease in inventories	(87,345)	(232,812)
Increase/(decrease) in trade payables and accruals	123,825	(48,642)
Increase/(decrease) in provisions	12,535	(8,692)
Cash flow from operations	(1,609,288)	(1,767,770)

Note 24 Events After the Reporting Period

Other than the following, the Directors are not aware of any significant events since the end of the reporting period.

i. ArTiMist Phase III Malaria trial

On 30 July 2013, the Company announced that it had received the final report for it's Phase III trial for ArTiMist™. The report confirmed that 95.6% of the patients treated with ArTiMist™ had parasite count reduced by more than 90% within 24 hours versus 40.6% of the patients treated with IV quinine.

ii. Settlement of NovaMist acquisition

On 13 August 2013, the Company announced that it had completed the acquisition of NovaDel intellectual Property and inventory. The Company had signed a Sale and Purchase Agreement with NovaDel, as announced on 8 April 2013, which was subject to NovaDel receiving shareholder approval.

The acquisition price was made up as follows:

Cash	US$400,000
Shares	50,000,000 ordinary shares
Options	10,000,000 unlisted options with an exercise price of 5 cents and an expiry date of 31 December 2015.

FOR THE YEAR ENDED 30 JUNE 2013

Note 24 Continued

NovaDel's core technology, NovaMist™ was rebranded to SudaMist™ and the Company has a strong pipeline of projects including:

DuroMist™	Sildenafil citrate base for treatment of erectile dysfunction
Suda-001	Sumatriptan base for treatment of migraine headache
Suda-002	Ondansetron based for treatment of chemotherapy induced nausea and vomiting
Suda-003	Midazolam based for treatment of pre-procedural anxiety
Suda-004	Sildenafil citrate base for treatment of pulmonary arterial hypertension

iii. Suda's subsidiary secures tender
On 15 August 2013, the Company announced that its subsidiary company, Westcoast Surgical and Medical Supplies Pty Ltd, had secured preferred supplier status for a major, government-funded organisation for the supply of pharmaceuticals, consumables, equipment and vaccines. This major tender will have a significanct effect on Westcoast's revenue and profitability.

iv. Debtor finance facility
Following the announcement in relation to Westcoast above, the Company secured a $500,000 debtor finance facility in September 2013.

v. Capital raising
The Company successfully raised $1,900,000 through the issue of convertible notes, of which $420,000 is subject to shareholder approval.

Note 25 Related Party Transactions

Related Parties

(a) The Group's main related parties are as follows:

i. **Entities exercising control over the Group:**
The ultimate parent entity that exercises control over the Group is Suda Ltd, which is incorporated in Australia.

ii. **Key Management Personnel:**
Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity are considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 6: Interests of Key Management Personnel Compensation.

iii. **Entities subject to significant influence by the Group:**
An entity which has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

For details of interests held in associated companies, refer to Note 12: Associated Companies.

iv. **Other Related Parties**
Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel have joint control.

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

The following transactions occurred with related parties:

	Consolidated Group 2013 $	Consolidated Group 2012 $
i. **Key Management Personnel**		
Mr Michael Stewart - consulting services	24,500	10,600
Mr Michael Stewart - Convertible Notes	150,000	200,000
ii. **Loans to Key Management Personnel**		
Beginning of the year	-	17,692
Loan repayment received	-	(17,692)
End of the year	-	-

Note 26 Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills, leases, preference shares and derivatives.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

FOR THE YEAR ENDED 30 JUNE 2013

Note 26 Continued

	Note	Consolidated Group 2013 $	2012 $
Financial Assets			
Cash and cash equivalents	9	752,619	1,590,003
Loans and receivables	10d	635,350	671,303
Total Financial Assets		1,387,969	2,261,306
Financial Liabilities			
Financial liabilities at amortised cost			
— Trade and other payables	17	2,876,866	2,041,543
— Borrowings	18	1,162,000	701,000
Total Financial Liabilities		4,038,866	2,742,543

Financial Risk Management Policies

The Board of Directors maintains responsibility for, among other issues, managing financial risk exposures of the Group. The Board monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counterparty credit risk, currency risk, liquidity risk and interest rate risk.

The Board's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk (commodity and equity price risk). There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Depending on the division within the Group, credit terms are generally 30 to 60 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the Board has otherwise assessed as being financially sound. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position. Credit risk also arises through the provision of financial guarantees, as approved at Board level, given to parties securing the liabilities of certain subsidiaries (refer Note 13(e) for details).

Collateral held by the Group securing receivables is detailed in Note 10(d).

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. However, on a geographic basis, the Group has significant credit risk exposures to Australia given the substantial operations in this region. Details with respect to credit risk of Trade and Other Receivables is provided in Note 10.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 10.

Credit risk related to balances with banks and other financial institutions is managed by the FOC in accordance with approved board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings.

	Note	Consolidated Group 2013 $	2012 $
Cash and cash equivalents			
- AA Rated		752,619	1,590,003
	9	752,619	1,590,003

Note 26 Continued

b. Liquidity risk

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

- preparing forward-looking cash flow analyses in relation to its operational, investing and financing activities
- using derivatives that are only traded in highly liquid markets
- monitoring undrawn credit facilities
- obtaining funding from a variety of sources
- maintaining a reputable credit profile
- managing credit risk related to financial assets
- only investing surplus cash with major financial institutions
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities. Bank overdrafts have been deducted in the analysis as management does not consider that there is any material risk that the bank will terminate such facilities. The bank does however maintain the right to terminate the facilities without notice and therefore the balances of overdrafts outstanding at year end could become repayable within 12 months. Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 years		Over 5 years		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Consolidated Group	$	$	$	$	$	$	$	$
Financial liabilities due for payment								
Convertible Notes	562,000	701,000	600,000	-	-	-	1,162,000	701,000
Trade and other payables	2,876,866	2,004,232	-	-	-	-	2,876,866	2,004,232
Total expected outflows	3,438,866	2,705,232	600,000	-	-	-	4,038,866	2,705,232

	Within 1 Year		1 to 5 years		Over 5 years		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Consolidated Group	$	$	$	$	$	$	$	$
Financial Assets - cash flows realisable								
Cash and cash equivalents	752,619	1,590,003	-	-	-	-	752,619	1,590,003
Trade, term and loans receivables	635,350	671,303	-	-	-	-	635,350	671,303
Total anticipated inflows	1,387,969	2,261,306	-	-	-	-	1,387,969	2,261,306
Net (outflow) / inflow on financial instruments	(2,050,897)	(443,926)	(600,000)	-	-	-	(2,650,897)	(443,926)

c. Market Risk

i. *Interest rate risk*

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

Interest rate risk is managed using a mix of fixed and floating rate debt.

At the end of the reporting period, the details of outstanding contracts, all of which pay-fixed interest rate swaps, are as follows:

	Consolidated Group			
	Effective Average Fixed Interest Rate Payable		Notional Principal	
	2013	2012	2013	2012
Maturity of notional amounts	%	%	$	$
Less than 1 year	8.00%	6.00%	562,000	701,000
1 to 2 years	0.00%	-	600,000	-
			1,162,000	701,000

FOR THE YEAR ENDED 30 JUNE 2013

Note 26 Continued

ii. *Foreign exchange risk*

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

The following table shows the foreign currency risk on the financial assets and liabilities of the Group's operations denominated in currencies other than the functional currency of the operations. The foreign currency risk in the books of the parent entity is considered immaterial and is therefore not shown.

2013	Net financial assets/(liabilities) in AUD $			
Consolidated Group	USD	GBP	CAD	Total AUD
Functional currency of entity				
Australian Dollars	-	(1,239,942)	(75,805)	(1,315,747)
Statement of financial position exposure	-	(1,239,942)	(75,805)	(1,315,747)

2012	Net financial assets/(liabilities) in AUD $			
Consolidated Group	USD	GBP	CAD	Total AUD
Functional currency of entity				
Australian Dollars	(40,000)	544,604	-	504,604
Statement of financial position exposure	(40,000)	544,604	-	504,604

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates, exchange rates and commodity and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Consolidated Group	
	Profit	Equity
Year ended 30 June 2013	$	$
+/- 2% in interest rates	(11,240)	11,240
+/- 5% in $A/GBP	(81,471)	90,046
+/- 5% in $A/CAD	(3,987)	4,406
Year ended 30 June 2012		
+/- 2% in interest rates	(14,020)	14,020
+/- 5% in $A/GBP	(65,631)	72,540
+/- 5% in $A/CAD	-	-

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position. Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments, which are carried at amortised cost (ie term receivables, held-to-maturity assets, loan liabilities), are to be held until maturity and therefore the fair value figures calculated bear little relevance to the Group.

	Note	2013		2012	
Consolidated Group		Carrying Amount $	Fair Value $	Carrying Amount $	Fair Value $
Financial assets					
Cash and cash equivalents	(i)	752,619	752,619	1,590,003	1,590,003
Trade and other receivables	(i)	635,350	635,350	671,303	671,303
Total financial assets		1,387,969	1,387,969	2,261,306	2,261,306
Financial liabilities					
Trade and other payables	(i)	2,876,866	2,876,866	2,041,543	2,041,543
Convertible Notes	(ii)	1,162,000	1,162,000	701,000	701,000
Total financial liabilities		4,038,866	4,038,866	2,742,543	2,742,543

FOR THE YEAR ENDED 30 JUNE 2013

Note 26 Continued

The fair values disclosed in the above table have been determined based on the following methodologies:

(i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying amount is equivalent to fair value. Trade and other payables excludes amounts provided for annual leave, which is outside the scope of AASB 139.

(ii) Discounted cash flow models are used to determine the fair values of loans and advances. Discount rates used on the calculations are based on interest rates existing at the end of the reporting period for similar types of loans and advances. Differences between fair values and carrying amounts largely represent movements in the effective interest rate determined on initial recognition and current market rates.

Note 27 Reserves

a. **Share Redemption reserve**
The share redemption reserve records the value of un-marketable share parcels for redemption.

b. **Share-based Payments Reserve**
The share-based reserve records items recognised as expenses on valuation of employee share options and share-based payments.

Note 28 Company Details

The registered office of the company is:
Suda Ltd
Level 1, Unit 12
55 Howe Street
Osborne Park, Western Australia, 6017

The principal places of business are:
Suda Ltd
Level 1, Unit 12
55 Howe Street
Osborne Park, Western Australia, 6017

Westcoast Surgical and Medical Supplies Pty Ltd
17 Meares Way
Canning Vale, Western Australia, 6155

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Suda Ltd (the "Company"):

   a. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 including:

      i. giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year then ended; and

      ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.

   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.

   c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2013.

This declaration is signed in accordance with a resolution of the Board of Directors.

Stephen Carter
Executive Chairman

Dates this 27th day of September 2013.

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Suda Limited

Report on the Financial Report

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

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

Independence

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

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au
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INDEPENDENT AUDITOR'S REPORT

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's opinion

In our opinion:

(a) the financial report of Suda Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

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

Auditor's opinion

In our opinion the remuneration report of Suda Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd
Chartered Accountants

N G Neill
Partner

Perth, Western Australia
20 September 2013

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following information is current as at 22 August 2013:

1. **Shareholding**

a. **Distribution of Shareholders**

Category (size of holding)	Number Ordinary
1 – 1,000	61
1,001 – 5,000	167
5,001 – 10,000	296
10,001 – 100,000	1,227
100,001 – and over	887
	2,638

b. The number of shareholdings held in less than marketable parcels is 709.

c. The names of the substantial shareholders listed in the holding company's register are:

Shareholder	Number Ordinary
NovaDel Pharma Inc	50,000,000

d. **Voting Rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

e. 20 Largest Shareholders — Ordinary Shares

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	NovaDel Pharma Inc	50,000,000	7.02
2.	Bergen Global Opportunity Fund LP	25,317,020	3.55
3.	JP Morgan Nominees Australia Limited <Cash Income A/c>	15,777,133	2.22
4.	M&S Brooke Pty Ltd	11,112,000	1.56
5.	Mr T McGellin and Ms T Karal	7,524,665	1.06
6.	Peto Pty Ltd	7,440,000	1.04
7.	Ms G L Gan	7,100,000	1.00
8.	National Nominees Limited	6,633,999	0.93
9.	Sempai Investments Pty Ltd	5,625,000	0.79
10.	Mr R Byrne and Mrs M Byrne	5,550,000	0.78
11.	Tadea Pty Ltd	5,512,590	0.77
12.	Bamber Investments Pty Ltd	5,000,000	0.70
13.	Thompson Family Superannuation Pty Ltd	5,000,000	0.70
14.	Mr R Dougall and Ms R Tooher	4,650,000	0.65
15.	Top Class Holdings Pty Ltd	4,227,381	0.59
16.	Mr J Habib	4,040,000	0.57
17.	Ms S Alimonti	4,000,000	0.56
18.	Mr I Estreich	4,000,000	0.56
19.	RBO Pty Ltd	4,000,000	0.56
20.	Mr T Szabo	4,000,000	0.56
		186,509,788	26.17

2. The name of the company secretary is Joseph Ohayon.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

3. The address of the principal registered office in Australia is Level 1, Unit 12, 55 Howe Street, Osborne Park, Western Australia, 6017. Telephone (08) 6142 5555.

4. Registers of securities are held at the following addresses
Advanced Share Registry 150 Stirling Hwy, Nedlands, WA 6009

5. **Stock Exchange Listing**
Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.

6. **Unquoted Securities**
Convertible Notes
562,001 convertible notes are on issue. 1 convertible security is held by Bergen Global Opportunity Fund LP pursuant to Share Purchase and Convertible Security Agreement. 562,000 convertible notes are held by: Ausdrill International Pty Ltd, Chegs Assets Pty Ltd, Devomp Pty Ltd, Mr & Mrs Grove, Mr & Mrs Ormond, Paladin Energy Ltd, Reliant Resources Pty Ltd, Mr & Mrs Wilson, Buprestid Pty Ltd, Bamber Investments Pty Ltd, Tadea Pty Ltd, Mr Parry, Continental Global Investments Ltd and Kamala Holdings Pty Ltd

Options over Unissued Shares
A total of 47,900,000 options are on issue. 30,400,000 options are on issue to convertible note holders, 7,500,000 options are on issue to Bergen Global Opprtunity Fund LP pursuant to Share Purchase and Convertible Security Agreement holders and 10,000,000 options are on issue to NovaDel Pharma Inc pursuant to Sale and Purchase Agreement.

7. **Annual General Meeting**
The Annual General Meeting of the Company will be held at 10:30am (WST) on 12 November 2013 at The Boulevard Centre, 99 The Boulevard, Floreat, WA.