SUDA LTD

ANNUAL REPORT 2015

SUDA LTD

SUDA LTD AND CONTROLLED ENTITIES / ABN 35 090 987 250

ANNUAL FINANCIAL REPORT

30 JUNE 20**15**

CORPORATE DIRECTORY

Directors	Mr Michael Stewart	Chairman
	Mr Stephen Carter	Managing Director
	Mr Joseph Ohayon	Executive Director
Company Secretary	Mr Joseph Ohayon	
Registered Office	Suda Ltd ABN 35 090 987 250	
	Level 1, Unit 12, 55 Howe Street	PO Box 1719
	Osborne Park WA 6017	Osborne Park BC, WA 6916
	Telephone	(08) 6142 5555
	Facsimile	(08) 9443 8858
	Email	info@sudaltd.com.au
	Website	www.sudaltd.com.au
Share Registry	Advanced Share Registry Ltd	
	110 Stirling Highway	PO Box 1156
	Nedlands WA 6009	Nedlands WA 6909
	Telephone	(08) 9389 8033
	Facsimile	(08) 9389 7871
Auditors	HLB Mann Judd	
	Level 4, 130 Stirling Street	
	PERTH WA 6000	
Bankers	Westpac Banking Corporation	
	Corporate Banking	
	109 St Georges Terrace	
	PERTH WA 6000	
Home Stock Exchange	Australian Securities Exchange Ltd	
	Exchange Plaza	
	2 The Esplanade	
	Perth WA 6000	
	Listing codes:	
	Ordinary Shares	SUD

TABLE OF CONTENTS

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

MISSION STATEMENT

SUDA LTD *is dedicated to improving the health and lifestyle of the global community by providing new, high-quality, innovative, pharmaceutical products to assist in the treatment of various conditions whilst maintaining consistent growth and investment value for its shareholders.*

LETTER FROM THE CHAIRMAN

"Our diverse product portfolio is such that we have the possibility to execute a number of transactions, some of which may have a global footprint, and a range of territorial licence agreements, all of which are likely to transform the company"

Like most listed entities the Board of SUDA is focussed on "creating sustainable value for shareholders". Your Board has spent considerable time ensuring that management has a very clear understanding of the building blocks required to "create sustainable value".

Our key building blocks are designed to:

- Build a global reputation for innovation and excellence in oro-mucosal drug delivery;
- Execute licence deals and trade sales to generate upfront, milestone and royalty payments;
- Create strategic alliances and partnerships through scientific collaboration;
- Expand our patent portfolio and product pipeline;
- Build investor community awareness and manage expectations;
- Comply with best practice corporate governance and financial management; and
- Build flexible and responsive management.

Under each of these building blocks the management team has specific work plans and budgets and is accountable to the CEO, and in turn, to the Board.

We continually monitor and evaluate performance and adjust outcomes and timelines to respond to any operational issues we encounter. We also continually assess risk to ensure we have strategies in place to minimise operational risk.

Our programs over the past 12 months have continued to build on our reputation in the area of oro-mucosal drug delivery and we have attracted the attention of a number of global pharmaceutical groups with whom we are in ongoing commercial discussions.

Our diverse product portfolio is such that we have the possibility to execute a number of transactions, some of which may have a global footprint, and a range of territorial licence agreements, all of which are likely to transform the company and deliver significant financial returns. Shareholders need to understand the global licence agreements are complex and involve substantial payments but necessarily take time, resources and patience to close.

Building sustainable value also requires us to consider and balance the structure of any transactions such that they include a combination of upfront fees, milestone payments and an ongoing royalty stream based on sales. Ultimately our aim is to attract valuations on the basis of earnings multiples and growth prospects rather than one off deals, which often results in shorter term price volatility.

Sustainability also requires us to ensure we have a robust patent portfolio and a pipeline of innovative products. As such we have assembled a high calibre research and development team and state of the art laboratory facilities. Our work conforms to the highest industry standards because we know that potential partners expect nothing less.

Over the past 12 months, in response to the changing industry requirement for more rigorous corporate governance, we have also upgraded our various Charters to ensure we comply with industry best practice. This is complemented by stringent requirements under our ISO 9001 accreditation.

Finally it is imperative we build a reputation as a company of integrity and excellence.

I am very proud of what has been achieved over the past 12 months and feel certain that over the passage of time we will create substantial value for our shareholders. This is an industry that requires patience and determination. Whilst it is always difficult to forecast timing and provide accurate guidance, we believe that we have an outstanding and very valuable asset portfolio and our management team is world class. Value is built on quality and excellence.

We gratefully acknowledge the continued support and patience of our shareholders.

Michael Stewart
Chairman

REVIEW OF OPERATIONS

OVERVIEW

SUDA achieved several key milestones in the 2015 financial year and made real progress in advancing its lead products towards registration and partnerships. Business development activities expanded substantially and SUDA signed its first licencing agreement in a cross-licencing arrangement with Amherst Pharmaceuticals LLC. This agreement brought ZolpiMist® into the portfolio, a first-in class oral spray for the treatment of insomnia, which has been approved in the USA.

Other key milestones during the financial year and post the end of the reporting period included:

- building a constructive dialogue with the World Health Organisation (WHO) for the inclusion of ArTiMist™ into their treatment guidelines for malaria, which would make this novel anti-malarial spray available for large-scale procurement through the public healthcare sector in sub-Saharan Africa;
- taking full control of Malaria Research Company Pty Ltd (MRC) by completing the acquisition of the minority shareholding (20%) owned by ProtoPharma Ltd;
- successfully developing second-generation formulations of the SUD-001 migraine spray and the SUD-003 erectile dysfunction spray, which include improved flavouring/taste-masking and enhanced permeation characteristics, designed to achieve quicker onset of action;
- receiving encouraging feedback from the Type C meeting with the US Food and Drug Administration (FDA) for SUD-001, in which the Agency accepted SUDA's proposed clinical development plan for a pharmacokinetic pivotal trial; and
- strengthening our IP position through the granting of patents in Australia & New Zealand, USA and Africa for SUD-003, SUD-002 and ArTiMist™ respectively.

SUDA continued to build competencies in its laboratory in Osborne Park, Western Australia. The laboratory team was enlarged to address the increased volume of work generated by our existing pipeline as well as by new opportunities. The laboratory features not only an array of modern equipment and advanced scientific instruments, but also a dynamic and passionate team of experienced scientists, supported by an outstanding Quality Management System (QMS) ensuring that our products and services consistently comply with the quality standards of documentation demanded by the pharmaceutical industry.

In FY2015, SUDA established two additional Clinical Advisory Boards comprising international specialists in the fields of migraine (SUD-001) and erectile dysfunction (SUD-003). These experts are advising SUDA's project management team on the design of clinical trials and the regulatory strategy to achieve an optimal path to market.

ArTiMist™ has continued to gain interest from the anti-malaria community. The Principal Investigator for the Phase III trial of ArTiMist™ presented the results at the American Society of Tropical Medicine and Hygiene in November 2014. Furthermore, in 2015, three articles describing the ArTiMist™ clinical trials and efficacy were published in the prestigious peer-reviewed journal: Antimicrobial Agents and Chemotherapy.

Following the NovaDel acquisition and ArTiMist™ clinical results in FY2014, SUDA implemented a commercial and business development strategy to secure partners or trade sales for the lead products and further utilisation of the OroMist® technology. This involved compiling comprehensive Asset Packs for each product and the establishment of electronic data rooms to facilitate the due diligence process of interested parties.

The Company initiated its business development outreach to the pharmaceutical industry in March 2014 and continued to expand these activities in FY2015. The business development team has met with more than 170 pharmaceutical companies since commencing its outreach initiative. Active discussions are ongoing with approximately 70 of these companies, of which more than 30 have signed confidentiality agreements.

Discussions with prospective partners span ArTiMist™, the other clinical-stage oral sprays, as well as the application of SUDA's OroMist® drug delivery technology to new compounds. Discussions are at various stages with some companies having completed due diligence and initiated deal negotiations. The typical licencing transaction in the life sciences sector involves multiple steps, some of which are complex. Experience is critical and the team is working hard to finalise deals and achieve the Company's business development goals.

ORO-MUCOSAL DRUG DELIVERY

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 the solid-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 cavity is an attractive site for the delivery of drugs. Its attractiveness resides in the fact that the oro-mucosal membrane is readily accessible to patients and/or carers, the high vascularisation promote a fast onset of action, and avoids the hepatic and intestinal degradation mechanisms.

There are numerous pharmacologically active compounds that could benefit from improved delivery attributes as they present poor oral bioavailability due to poor aqueous solubility, degradation within the GI contents, poor membrane permeability, or pre-systemic metabolism[1].

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

1. local delivery, which is drug delivery into the oral cavity;
2. sublingual delivery, which is systemic delivery of drugs through the mucosal membranes lining the floor of the mouth;
3. buccal delivery, which is drug administration through the mucosal membranes lining the cheeks (buccal mucosa);
4. lingual delivery is drug administration over the tongue
5. 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 waterproof barrier and the most superficial layer is highly keratinised.

The oral mucosa is 4-4000x [2] 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 being greater than buccal, and buccal being greater than palatal. This rank order is based on the relative thickness and degree of keratinization of these tissues.

The sublingual mucosa is relatively thin, non-keratinised and highly permeable (in the case of water it has been calculated to be 20x [3] 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-keratinized, and the palatal intermediate in thickness but keratinized.

1 Bruce J Aungst, Absorption enhancers applications and advances; 2011 American Association of Pharmaceutical Scientists; (http://www.ncbi.nlm.nih.gov/pmc/articles/PMC3291189/pdf/12248_2011_Article_9307.pdf)

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

3 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

PHARMACEUTICAL INDUSTRY AND DRUG DELIVERY: A CHANGING LANDSCAPE

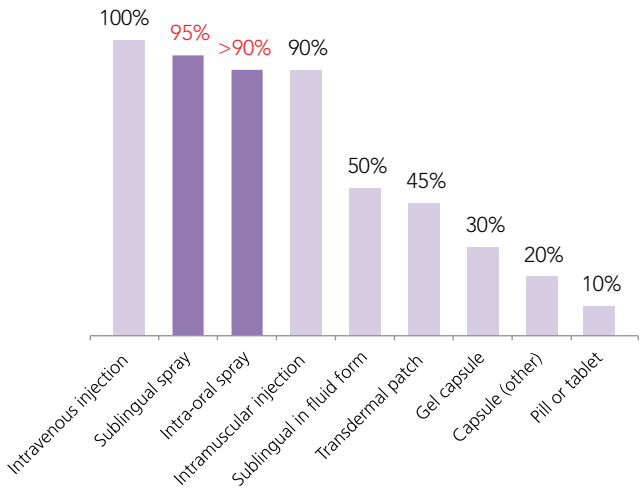
Over the past decade, the pharmaceutical industry landscape has seen the gradual shift from one blockbuster drug to multiple niche treatments that offer better outcomes for patients. Emerging markets are expanding and are firmly included in the global pharmaceutical landscape. Originators are acquiring generic manufacturers and big pharmaceutical 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.

Small and large pharmaceutical companies are increasingly outsourcing significant portions of their R&D, manufacturing and corporate processes and rely extensively on partnerships and alliances. Over the next five years, the US market is expected to grow between 0% and 3% [4] and an increasing number of generics firms are expected to enter the top 50 global pharmaceutical companies. In the US, 86% of dispensed prescriptions in 2013 were generics[5].

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. The North American drug delivery technologies market was valued at $66.7 billion in 2012 and is poised to reach $102.2 billion by 2017 [6].

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.

Bioavailability comparison of different drug administration routes



Source: Physician's Desk Reference, NPPDR, No. 18:676, 1997

This graph highlights the bioavailability, or measure of drug absorption,of SUDA's OroMist technology as compared to alternative routes of delivery.

Additionally, it is estimated that between 60 and 70% [7] 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 thirds of product launches under-perform expectations.

Reformulations: a shortcut to market

Development timelines of reformulated drugs can be considerably shorter (3-7 years) when compared to the development of a New Chemical Entity (NCE) which can be over 13 years from discovery to approval, and the development risks are considerably lower than a NCE due to the extensive amount of pre-existing data.

In the USA, the regulatory pathway for approval of reformulations falls under the abbreviated FDA 505(b)(2) legislation. In Europe, there is an analogous legislation, which is based on a hybrid application under Article 10(3) of Directive 2001/83/EC and successive amendments. Applications through either the FDA 505(b)(2) pathway or the EMA hybrid process can leverage the safety and efficacy data generated for the formulations already approved and can rely solely on data showing comparable bioavailability to the reference drug.

4 *Pharma Executive – May 2013*

5 *IMS Institute for Healthcare Informatics: a review of use of medicines in USA in 2014 - April 2014*

6 *Markets and Markets: North American drug delivery technologies*

7 *Catalent, Inc. and Quotient Bioresearch*

OROMIST® TECHNOLOGY

SUDA's OroMist® technology can deliver a broad range of drug classes in the form of a liquid micro-mist through either the cheeks, gums, tongue or floor of the mouth. The 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.

The technology and delivery route can provide meaningful benefits compared to other modes of drug administration, including:

- provide faster onset of action;
- reduce the dose level;
- increase bioavailability of the drug by avoiding first pass metabolism in the liver;
- minimise dose variation related to gastrointestinal tract motility;
- enhance patient compliance and convenience;
- avoid the need to swallow, a commonly encountered problem by many individuals;
- allow for the medication to be taken without water;
- facilitate self-medication; and
- decrease the need of medical personnel.

Drug delivery via the oral mucosa can 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. In fact, swallowing problems (known as dysphagia) are extremely common with an estimated prevalence as high as 22% in those over 50 years of age. Approximately, 10 million Americans are evaluated each year with swallowing difficulties. Furthermore, many children have difficulty swallowing tablets without water.

Selection of an OroMist® reformulation

SUDA has extensive know-how and has developed an internal stepwise approach for the selection of drug candidates to be reformulated. It is important to realise that each formulation is tailored made to accommodate the different chemical structure and characteristics of the API(s) of interest, which include but it is not limited to:

- intrinsic solubility characteristics;
- molecular weight;
- dose and dosing requirements;
- medical indication;
- acute or chronic illness; and
- IP positions and challenges, if any.

The above items are some of the items considered but by should not be considered an exhaustive list.

The Technology

Bioavailability is the primary challenge for SUDA's OroMist® sprays. The Company's suite of technologies addresses bioavailability by a combination of proven proprietary and known technologies to optimise and measure solubility, permeability and palatability. Formulations are developed in a logical fashion beginning with simple FDA approved excipients and building to complex solubilisation and / or permeability enhancers only as required.

With the OroMist® technology, SUDA uses a combination of proprietary co-solvents, plus pH and/or electrolyte addition via specific salts or mixes of excipients for ionisable compounds is used to solubilise sufficient drug in the correct stable form to provide efficient permeation through the buccal mucosa. Lipids and eutectic lipid mixtures may be used to provide solubility and aid permeation for more lipophilic compounds.

SUDA also has an extensive knowledge of proven techniques to improve solubility including particle size reduction and solid dispersions, complexation with materials such as cyclodextrins and micellar dispersion in emulsions, which may be utilised if required.

Permeability enhancers may be required to improve bioavailability and SUDA employs a logical succession of simple to complex systems to aid buccal permeation.

Many drugs are very bitter and must be taste masked and flavoured for patient compliance in such a way that solubility and permeation are enhanced or at least maintained. SUDA's use of specific flavour/sweetener/taste-mask combinations ensures that the formulation is palatable to the user whilst maintaining bioavailability.

Iterations of formulations are assessed for physical and chemical stability, for in-vitro and ex-vivo permeability and for palatability to ensure that formulations that make it through to in vivo PK and toxicological studies have been thoroughly characterised and have the highest chance of success.

Intellectual Property

SUDA's intellectual property includes granted and pending patents, trademarks and proprietary know-how. The patent estate covers liquid spray formulations of approximately 300 Active Pharmaceutical Ingredients (APIs) from a wide range of drug classes such as anti-infectives, (i.e. antibiotics and antifungals), anti-asthmatics, barbiturates, and opioids as well as biologically active peptides hormones such as, insulin and cyclosporine. These formulations can be administered to the oral cavity in the form of a micro-mist covering the oral mucosal membranes. The management intends to strengthen the intellectual property portfolio as it progresses with its R&D efforts. A list of patents is shown on pages 14 and 15.

PRODUCT PIPELINE: KEY PROJECTS

The table below shows the promising projects that have been prioritised for further development and commercialisation. A number of additional attractive product candidates, in a varied development stage, are being evaluated for inclusion.

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.

Suda's pipeline of key projects

Product	Active Ingredient	Pre-clinical	Clinical	Marketing Approval	Mkt Size	Partnerships (Incl. territories)
*ZolpiMist®	Zolpidem	Insomnia			$2.1bn	
ArtiMist™	Artemether	Malaria			>$500m	
SUD-002	Ondansetron	Chemotherapy induced nausea & vomiting			$2.5bn	• Amherst (Americas & ZA) • Kwang Dong (Korea)
SUD-001	Sumatriptan	Migraine headache			$3.2bn	
SUD-003 DuroMist™	Sildenafil	Erectile dysfunction			$4.1bn	
SUD-004	Sildenafil	Pulmonary arterial hypertension			$2.7bn	
SUD-005	Midazolam	Pre-procedural anxiety			$170m	

* SUDA has an exclusive licence to ZolpiMist® in all countries excluding the Americas and South Africa

ZolpiMist®: insomnia

ZolpiMist® is a US approved, patented, cherry-flavoured, oro-mucosal spray formulation of zolpidem tartrate (marketed under the brand name of Ambien® or Stilnox®), a non-benzodiazepine prescribed for the short-term treatment of insomnia characterised by difficulties with sleep initiation, as per Ambien®'s approved indication. The spray offers quicker sleep onset latency, patient convenience, and ease of use compared to conventional tablets. Zolpidem tartrate is the most widely prescribed sleep aid on the market with a market share in excess of 70%. The global insomnia therapeutic market is forecast to reach US$2.1bn in 2017.

The pivotal studies demonstrated bioequivalence of ZolpiMist® 5mg and 10mg doses with the respective Ambien® tablets. The time to detectable levels of both ZolpiMist® doses were significantly shorter than the corresponding Ambien® tablets. Also, there was a significantly greater decrease in Digit Symbol Substitution Test (DSST) scores (a measure of attention, perceptual speed, motor speed, visual scanning and memory) for both ZolpiMist® doses when compared to Ambien® at 13 minutes post-dose. Hence, ZolpiMist® induced sleepiness significantly faster than Ambien®.

In January 2015, SUDA entered a cross-licence agreement with Amherst Pharmaceuticals (Amherst), a US specialty pharmaceutical company based in New Jersey, to commercialise Amherst's ZolpiMist® and SUDA's oral spray of ondansetron (SUD-002) for the treatment of nausea and vomiting induced by chemotherapy or radiotherapy. Under the terms of the agreement, SUDA received an exclusive licence to manufacture, develop and commercialise ZolpiMist® in all territories excluding the Americas and South Africa.

SUDA is progressing licencing discussions for ZolpiMist® in its territories. Given that ZolpiMist® is approved for use in the US market, no further clinical development may be required for registration in most other countries.

ArTiMist™: malaria

ArTiMist™ is the world's first sublingual spray for the treatment of *p. falciparum* severe paediatric malaria. The active pharmaceutical ingredient in ArTiMist™ is artemether, which is a widely used anti-malarial and is currently administered by infusion or orally in a tablet form. ArTiMist™ was designed with a child in mind: a child living in a challenging environment where healthcare resources can be very scarce and time is of the essence. The simple sublingual spray could be particularly valuable as a pre-referral treatment when children first show signs of a malaria-like fever, before being referred to hospital. ArTiMist™ is owned and managed by SUDA's subsidiary company, Malaria Research Company Pty Ltd (MRC).

ArTiMist™ has been successfully evaluated in four clinical studies, including a Phase III study in children with severe, complicated or uncomplicated malaria, but who were unable to tolerate oral medication. Patients were randomised to receive either ArTiMist™ or intravenous quinine. The primary endpoint was parasitological success, defined as a reduction in parasite count of ≥ 90 % of baseline at 24 hours after the first dose. In the Phase III study, 94% of ArTiMist™-treated patients compared to 39% of patients treated with quinine had parasitological success ($p < 0.0001$). Indicators of parasite clearance were also significantly superior for children treated with ArTiMist™ than those treated with quinine.

In July 2015, the MRC's intellectual property estate for ArTiMist™ was strengthened by the grant of a key patent in Africa. The patent was issued by the African Regional Intellectual Property Organisation (ARIPO), which is an intergovernmental organisation, comprising 19 African states, including the major countries in malaria-endemic Sub-Saharan Africa. The patent covers the pharmaceutical composition of ArTiMist™, the route of delivery, the device and methods for the treatment of uncomplicated and complicated malaria. It expires in 2026.

SUDA took full control of ArTiMist™ in August 2015 following the acquisition of the 20% minority shareholding in MRC, which was owned by UK-based ProtoPharma Ltd and its parent London Pharma Ltd. SUDA acquired the 20% shareholding for $1.2 million.

As a result of this acquisition, SUDA now owns 100% of the ArTiMist™ asset with no further payment or royalty obligations to PPL and its parent organisation. Simplification of the ownership structure of ArTiMist™ alleviates a variety of issues including tax implications on the commercialisation of the project. Additionally, this acquisition represents an important step towards SUDA's objective to commercialise ArTiMist™ through a commercialisation agreement or a trade sale.

SUDA has continued its dialogue with Medicines for Malaria Venture (MMV). They are assisting the Company in securing support for ArTiMist™ from global funds and groups such as the World Health Organisation (WHO). SUDA and the MMV have a strategic objective to expand the market of ArTiMist™ from the treatment of severe paediatric malaria to its use as an early interventional pre-referral treatment. This would represent a significant expansion of the patient population that could benefit from the product and would substantially increase the product's market opportunity. The Company is working with its anti-malaria Clinical Advisory Board, which includes a group of highly respected academics and clinicians, to design a clinical trial evaluating the sublingual spray in the pre-referral setting. With the support of the MMV, SUDA intends to present the clinical protocol to the WHO as a first step towards securing funding for the trial from global philanthropic groups.

The Principal Investigator for the successful Phase III trial of ArTiMist™ in severe paediatric malaria presented the results at the 63rd Annual Meeting of the American Society of Tropical Medicine and Hygiene (ASTMH), which was held in November 2014 in New Orleans, Louisiana. This high-profile event draws together tropical medicine and global health professionals from government, NGOs, philanthropy, industry and academia. The programme included talks by Bill Gates, the Co-chair, and Dr. Alan Magill, the Director of Malaria from the Bill & Melinda Gates Foundation.

SUDA also successfully implemented a publication strategy in 2015 that was designed to raise further the profile of ArTiMist™ within the scientific and medical community and to reaffirm the product's therapeutic advantages in children with malaria. Three peer-reviewed articles describing the ArTiMist™ clinical results were published in Antimicrobial Agents and Chemotherapy (AAC), which is a journal of the American Society for Microbiology. The AAC is one of the most respected peer-reviewed scientific journals for preclinical and clinical data on novel anti-malarial treatments.

A key customer for ArTiMist™ will be the WHO via its large-scale procurement of antimalarial therapeutics for public health use. SUDA has engaged with the WHO to optimise the regulatory strategy to accelerate the inclusion of ArTiMist™ in the WHO Guidelines for the Treatment of Malaria. In addition, the WHO Guidelines are generally adopted by national healthcare agencies in malaria-endemic countries.

The WHO has recommended that SUDA firstly seek registration of ArTiMist™ with a stringent regulatory authority in the developed world. SUDA is making progress towards that goal. In addition, SUDA aims to pursue the WHO Prequalification of Medicines Programme (PQP). PQP helps to ensure that medicines supplied by procurement agencies – such as UNICEF, the Global Fund to Fight AIDS, Tuberculosis and Malaria, and UNITAID - meet acceptable standards of quality, safety and efficacy.

In following this strategy, SUDA has a clearly defined path for adding value to the ArTiMist™ programme and accelerating access to this important new anti-malarial for the millions of children at risk of contracting malaria.

SUD-001: migraine headache

SUD-001 is a first-in-class mint-flavoured oral spray formulation of sumatriptan (marketed in tablet form and in a nasal spray by GlaxoSmithKline under the brand name Imitrex®). Sumatriptan is one of the most widely used drugs for the treatment of acute migraine in adults and works by narrowing the blood vessels in the brain.

Two pilot trials have been conducted to evaluate our first-generation formulation. The pilot pharmacokinetic (PK) study in 10 healthy male volunteers demonstrated a statistically significantly faster rate of absorption with SUD-001 than tablets and up to a 50% increase in relative bioavailability of sumatriptan. The rate of drug absorption is believed to be predictive of the degree and speed of migraine relief. The initial pharmacokinetics (PK) data of SUD-001 approximate to those of a subcutaneous injection.

The second pilot trial evaluated efficacy and safety in migraineurs. This was a multi-centre, active control, open-label, dose-ranging study. In the primary analysis of efficacy, being the percentage of patients responding to treatment at or before 60 minutes post-dosing, the 30mg and 40mg dosages of SUD-001 provided a statistically significant greater reduction in headache pain compared to the 50mg tablet and were comparable to the higher (100mg) dose of the tablet formulation.

Overall, these results indicate that SUD-001 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.

Migraine is a painful and debilitating condition that disrupts lives, impacts careers and costs employers in lost work and diminished productivity. According to the WHO, migraine affects at least one adult in every seven in the world (14.3%). The migraine market value is expected to reach US$5.8 billion in 2021 in the seven major markets where 75 million adults are affected [8].

In FY2015, SUDA's technical team completed the development of a second-generation formulation incorporating an improved taste, hence, an enhanced patient experience. The active drug, sumatriptan, has an extremely bitter taste, which has proved difficult to mask, particularly in the nasal spray formulation, which is potentially the main competitor for SUD-001. During the taste-optimisation process, the SUDA team produced over 100 unique formulations for a taste-testing panel.

Another key objective for the SUD-001 programme in FY2015 was to finalise a pivotal development plan and seek its acceptance by the US Food and Drug Administration (FDA). In April 2015, the Company appointed two leading headache specialists to its Clinical Advisory Board to provide advice and guidance on the pivotal development plan. These experts have significant experience with sumatriptan and the design of clinical trials for novel migraine treatments.

SUDA submitted a Type C meeting briefing package to the FDA in June 2015 containing details of the proposed pivotal study of SUD-001 and other data required for a New Drug Application (NDA) in the USA. The request included a synopsis of the plan and questions about the sufficiency of the plan to support a NDA. In advance of the meeting, SUDA submitted to the FDA a detailed briefing package, which included the protocol for the pivotal trial.

In August 2015, SUDA announced the receipt of the written response from the FDA regarding the development plan. The FDA acknowledged SUDA's proposed development strategy and requested only minor justifications to the study design. Furthermore, the agency had no comments regarding SUDA's plans for chemistry, manufacturing, controls (CMC) and non-clinical studies.

SUDA's development strategy is to accelerate the registration of SUD-001 by utilising a PK approach, thus not requiring clinical efficacy studies in migraine patients. Instead, SUDA's two-part pivotal study will assess the PK parameters (e.g. the plasma concentration of sumatriptan) compared to the currently approved formulations of sumatriptan in approximately 70 healthy subjects. The trial is designed to support the submission of a NDA in the USA by the end of 2017.

The FDA's constructive response keeps SUDA on track to commence the pivotal study in the first half of CY2016 and, importantly, strengthens the Company's negotiating position with prospective partners in the USA, Europe and elsewhere by quantifying the cost and time to get to market.

8 *Decision Resources Group, Inc*

SUD-002: chemotherapy-induced nausea and vomiting

SUD-002 is a first-in-class, mint-flavoured oral spray formulation of ondansetron (marketed in tablet form by GlaxoSmithKline under the brand name Zofran®), the most commonly prescribed antiemetic to treat nausea and vomiting induced by chemotherapy or radiotherapy and also in post-operative settings.

SUD-002 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 product has been evaluated in over 300 patients in multiple clinical trials. These included four randomized studies in which the PK profile of SUD-002 was compared with ondansetron tablet in about 100 subjects, including both men and women. The studies successfully demonstrated that SUD-002 at an 8mg dose was statistically bioequivalent to the current commercially available 8mg ondansetron tablet. It was well tolerated and could be conveniently administered in multiple doses. In addition, SUD-002 delivered statistically faster absorption as defined by median time to detectible drug levels of ondansetron at 15 minutes versus 30 minutes for the tablet.

The global anti-emetics market is estimated to reach US$4.6 billion in 2018 [9].

Under the terms of the agreement, SUDA granted Amherst an exclusive licence to manufacture, develop and commercialise SUD-002 in the Americas, being North America and South America, and also South Africa. SUDA is entitled to a 6 to 12 per cent share of income from Amherst's commercialisation of SUD-002 in these countries.

SUDA and Amherst are working with regulatory advisors in the USA to request a pre-NDA meeting with the FDA. The companies will be asking the FDA whether the existing clinical data are sufficient for a New Drug Application. SUDA is also in discussion with other prospective licencees that are interested in SUD-002.

SUD-003: erectile dysfunction

SUD-003 (DuroMist™) is a first-in-class oral spray formulation of sildenafil (marketed in tablet form by Pfizer under the brand name Viagra®), sprayed directly in the mouth over the tongue for the treatment of erectile dysfunction (ED). The DuroMist™ dosage form is a metered spray that offers the potential for increased patient convenience, reduced food effect and lower dose.

Sildenafil is the largest selling drug globally for ED and is also approved to treat pulmonary arterial hypertension (see SUD-004).

In January 2015, SUDA was granted its first patent for SUD-003 in Australia and then in New Zealand. The patent provides broad protection of SUDA's first-in-class sildenafil spray until 2031 and is pending in other major jurisdictions.

The Company's first-generation formulation of SUD-003 has been evaluated in a pilot PK clinical trial comparing the oral spray to the Viagra® tablet. The results from the trial successfully demonstrated that SUD-003 had superior bioavailability compared to the tablet with respect to systemic exposure.

The global erectile dysfunction market is estimated to reach US$3.4 billion in 2019 [10]. In the USA alone, more than 18 million individuals suffer from ED. The risk of developing ED increases with age. Primary market research conducted in the USA suggests that over two thirds of physicians would prescribe SUD-003 to their patients if the oral spray achieved a quicker onset of action or reduced the side-effects associated with Viagra®.

SUDA's scientists have developed a second-generation formulation with enhanced permeation characteristics and mint flavouring, thus providing a pleasant taste. The data from in-vitro studies, using a synthetic membrane model, show that the second-generation oral spray is absorbed more rapidly and efficiently than the original formulation. This suggests that the new formulation has the potential for a quicker onset of action, which would greatly enhance the market opportunity for SUD-003.

SUDA appointed three leading erectile dysfunction specialists to its Clinical Advisory Board (CAB) in June 2015. These experts are providing advice and guidance on the pivotal development plan, which will be submitted to the FDA for review at a Type C meeting. This, again, will add value to the product and assist SUDA's partnering objectives.

9 *Visiongain: the anti-emetic drugs market analysis - 2014*

10 *Transparency Market Research: erectile dysfunction drugs*

SUD-004: pulmonary arterial hypertension

SUD-004 is based on the DuroMist™ oral spray formulation of sildenafil and is designed to treat pulmonary arterial hypertension (PAH) in adults. With PAH, the blood pressure in the lungs is too high and the heart has to work hard to pump blood into the lungs. Sildenafil improves the ability to exercise and slows down worsening changes in the patient's physical condition. Sildenafil is marketed in tablet form as Revatio® by Pfizer. SUD-004 is formulated such that each actuation delivers 10mg of sildenafil, which is sprayed directly in the mouth over the tongue. The recommended dose of Revatio® for treatment of PAH is 20mg (one tablet) taken three times a day.

The PK data generated with DuroMist™ successfully demonstrated that the 20mg dose (two sprays) of sildenafil was effectively absorbed through the oral mucosa. Also, DuroMist™, and thus also SUD-004, demonstrated an excellent safety profile and was well tolerated in the PK study at all dose levels.

Sales of therapies to treat PAH, a rare but life threatening disorder, reached $4.5 billion in 2013 [11].

SUD-005: pre-procedural anxiety and epileptic seizures

SUD-005 is a first-in-class strawberry/mint-flavoured oral spray formulation of midazolam (available as an injection and as a syrup under the brand name Versed®) for the treatment of pre-procedure anxiety in imaging and dental procedures and also in the treatment of epileptic seizures. Initial formulation work of SUD-005 has been completed and stability studies have been successful.

One major advantage of the SUD-005 oral spray compared to an oral syrup or a tablet is the possible avoidance of first pass metabolism. This offers advantages such as an increase in the bioavailability of the drug, a reduction in dose variability; and more predictable pharmacological effects. Additionally, its pleasant taste and easy administration would make it particularly useful for young anxious patients.

Midazolam is one of the most frequently used agents for sedation in paediatric dentistry, imaging and pre-medication in adults due to its potent anxiolytic, amnestic, and sedative properties. The market size for treatments of pre-procedure anxiety is estimated to be US$150-170 million. The epilepsy therapeutics market value in the top eight countries is expected to increase from US$3.4 billion in 2012 to US$4.5 billion by 2019 [12].

WESTCOAST SURGICAL & MEDICAL SUPPLIES

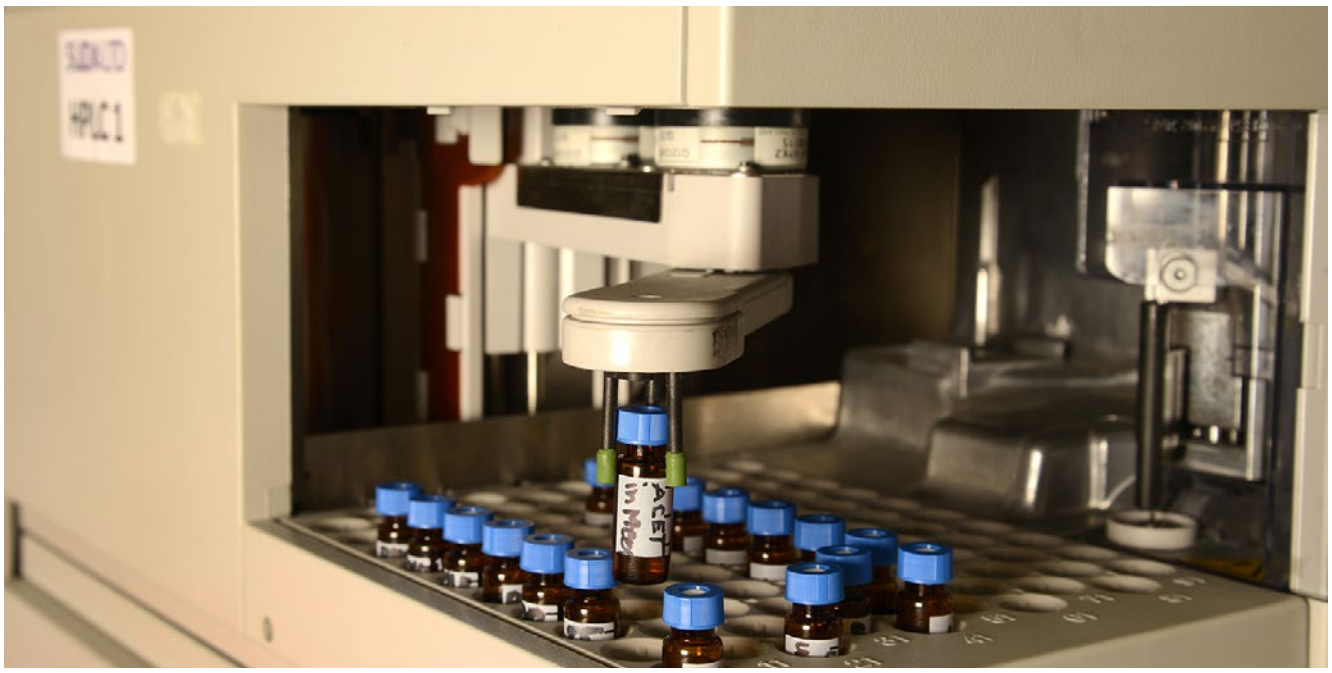
Westcoast Surgical and Medical Supplies Pty Ltd (Westcoast) is a fully owned subsidiary of SUDA. It is a sales and logistics operation for medical devices and consumables with a key selling proposition of "Flexible Solutions, Innovative Service", reflecting its high level of service to customers. Westcoast has four core business units as follows:

- Hospitals
- Aged Care
- Allied Health
- Mining

Westcoast's revenue in FY2015 decreased to $5.7 million from $8.8 million in the previous year, reflecting the loss of business from supplying medical consumables to the detention centres, which generated exceptional revenue in excess of $4 million in FY2014. Excluding detention centres, Westcoast increased underlying revenue from its core activities by 23% in FY2015 from $4.6 million in the previous year.

In FY2015, Westcoast has taken steps to enhance its profitability by reducing headcount and inventory. This restructuring is expected to have a positive effect on the net margin in FY2016.

11 *Rare Disease Report*
12 *GBI Research*



STRATEGY

SUDA has established a world leading oro-mucosal drug delivery platform with its OroMist® technology and a broad pipeline of novel first-in-class oral sprays.

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, quicker onset of action, ease of use leading to self-medication rather than reliance on medical personnel, and improvements that will contribute to increase the rate of therapeutic adherence and facilitate reimbursement.

SUDA has adopted a classic business model for its OroMist® technology, in which the Company is focused on its core competencies of formulating and developing its oral sprays. SUDA does not intend, at this stage of its evolution, to establish its own sales and marketing operations. The Company aims to partner or out-licence its pipeline of oral sprays in all territories.

A typical licencing deal comprises an upfront fee, payments upon the achievement of development and regulatory milestones and royalties on sales. The terms of any licencing agreements can differ markedly depending on the stage of the product development, therapeutic indication and addressed patient population. The management believes that out-licencing 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.

The Company is also working towards a partnership or divesture of its anti-malarial spray, ArTiMist™, to a major pharmaceutical company. ArTiMist™ is primarily positioned for public markets, where it will be available for large-scale procurement of anti-malarial drugs by groups such as the World Health Organisation. SUDA's management believes it would be unethical to retain a significant royalty stream on ArTiMist™, given the importance of pricing the product economically for developing countries.

The Company intends to adopt steps to achieve financial, clinical, technical and regulatory risk management by partnering certain assets at an early stage of development, while advancing other product opportunities through late-stage development. The number of active projects will vary over time and will depend primarily on the available resources. SUDA aims to strengthen its capital resources from the divestiture of projects and/or partnering activities and non-dilutive financing by applying for grants. In addition, SUDA is pursuing collaborations to reformulate partner companies' current or developmental drugs, or to extend their life cycle by developing novel OroMist® formulations with new intellectual property.

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 Company's maximum potential value.

LIST OF PATENTS

Country	Title	Earliest Priority	Status	Appln No.
France, Germany, Italy, Spain and United Kingdom	Buccal Non-Polar Spray	01-Oct-1997	Registered	00109347.5
Canada	Buccal Polar Spray or Capsule	12-Apr-1996	Registered	2,252,038
USA	Buccal Polar Spray Or Capsule	12-Apr-1996	Registered	09/199,380
Belgium, France, Germany, Greece, Italy, Netherlands, Spain, Sweden, Switzerland and United Kingdom	Buccal, Non-Polar Spray Comprising Analgesics or Alkaloids	12-Apr-1996	Registered	02016165.9
Canada	Buccal, Non-Polar Spray or Capsule	12-Apr-1996	Registered	2,252,050
USA	Buccal, Non-Polar Spray or Capsule	12-Apr-1996	Registered	08/631,175
Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Monaco, Netherlands, Portugal, Spain, Sweden, Switzerland and United Kingdom	Buccal, Non-Polar Spray or Capsule	12-Apr-1996	Registered	97914780.8
Europe	Buccal, Polar and Non-Polar Spray Containing Ondansetron	27-Sep-2004	Under Examination	04789153.6
USA	Buccal, Polar and Non-Polar Spray Containing Ondansetron	08-Jan-2009	Application allowed	13/445,331
USA	Buccal, polar and non-polar spray or capsule	24-Dec-2002	Registered	10/327,195
Canada	Buccal, Polar and Non-Polar Spray or Capsule	01-Oct-1997	Registered	2,306,024
USA	Buccal, Polar and Non-Polar Spray or Capsule	18-Mar-2002	Registered	10/100,156
USA	Buccal, Polar and Non-Polar Spray or Capsule Containing Drugs for Treating Disorders of the Central Nervous System	04-Dec-2003	Registered	10/726,585
USA	Buccal, Polar And Non-Polar Spray Or Capsule Containing Drugs For Treating Pain	04-Dec-2003	Registered	10/726,625
Australia	Oral spray formulations and methods for administration of sildenafil	07-Jun-2010	Registered	2011264941
Brazil	Oral Spray Formulations and Methods for Administration of Sildenafil	07-Jun-2010	Pending	BR1120120312979
Canada	Oral Spray Formulations and Methods for Administration of Sildenafil	07-Jun-2010	Request for exam due	2,802,047
Europe	Oral Spray Formulations and Methods for Administration of Sildenafil	07-Jun-2010	Under examination	11793044.6
Hong Kong	Oral Spray Formulations and Methods for Administration of Sildenafil	07-Jun-2010	Pending	13111354.2
USA	Oral Spray Formulations And Methods For Administration Of Sildenafil	07-Jun-2010	Under examination	13/702,506
Australia	Oral Spray Formulations and Methods for Administration of Sildenafil	05-Dec-2011	Pending	2012347997
Brazil	Oral Spray Formulations and Methods for Administration of Sildenafil	05-Dec-2011	Request for exam due	BR112014013650-5
Canada	Oral Spray Formulations and Methods for Administration of Sildenafil	05-Dec-2011	Request for exam due	2858364
China	Oral Spray Formulations and Methods for Administration of Sildenafil	05-Dec-2011	Pending	201280068898.5
Europe	Oral Spray Formulations and Methods for Administration of Sildenafil	05-Dec-2011	Pending	12806256.9
Hong Kong	Oral Spray Formulations and Methods for Administration of Sildenafil	05-Dec-2011	Pending	15100438.3

Country	Title	Earliest Priority	Status	Appln No.
India	Oral Spray Formulations and Methods for Administration of Sildenafil	05-Dec-2011	Request for exam due	5306/DELNP/2014
Israel	Oral Spray Formulations and Methods for Administration of Sildenafil	05-Dec-2011	Pending	232970
Japan	Oral Spray Formulations and Methods for Administration of Sildenafil	05-Dec-2011	Request for exam due	2014-545981
New Zealand	Oral Spray Formulations and Methods for Administration of Sildenafil	05-Dec-2011	Pending	625922
Republic of Korea	Oral Spray Formulations and Methods for Administration of Sildenafil	05-Dec-2011	Request for exam due	10-2014-7016435
Russian Federation	Oral Spray Formulations and Methods for Administration of Sildenafil	05-Dec-2011	Request for exam due	2014123435
Singapore	Oral Spray Formulations and Methods for Administration of Sildenafil	05-Dec-2011	Pending	11201402938R
South Africa	Oral Spray Formulations and Methods for Administration of Sildenafil	05-Dec-2011	Pending	2014/4091
USA	Oral Spray Formulations and Methods for Administration of Sildenafil	05-Dec-2011	Under Examination	14/363,245
Canada	Stable Anti-nausea Oral Spray Formulations and Methods	22-Dec-2006	Pending	2,673,049
Canada	Stable Hydroalcoholic Oral Spray Formulations and Methods	19-Apr-2007	Registered	2,649,895
ARIPO	Anti-Malarial Pharmaceutical Composition	27-Oct-2008	Application allowed	AP/P/2013/006997
Australia	Anti-Malarial Pharmaceutical Composition	25-Oct-2007	Registered	2013201643
Bangladesh	Anti-Malarial Pharmaceutical Composition	29-Mar-2009	Pending	167/2013
Brazil	Anti-Malarial Pharmaceutical Composition	27-Oct-2008	Pending	BR122013005952-0
Burundi	Anti-Malarial Pharmaceutical Composition	09-Mar-2009	Registered	279/BUR
Cambodia	Anti-Malarial Pharmaceutical Composition	16-Jul-2013	Pending	KH/P/2013/00030
China	Anti-Malarial Pharmaceutical Composition	27-Oct-2008	Registered	200880113338.0
Democratic Republic of the Congo	Anti-Malarial Pharmaceutical Composition	04-Apr-2009	Pending	NP/013/EXT/2013
Ethiopia	Anti-Malarial Pharmaceutical Composition	26-Feb-2009	Registered	ET/P/2009/116
Eurasia	Anti-Malarial Pharmaceutical Composition	27-Oct-2008	Under examination	201300151
Belgium, France, Ireland, Italy, Spain, Switzerland and United Kingdom	Anti-Malarial Pharmaceutical Composition	27-Oct-2008	Registered	13176933.3
Haiti	Anti-Malarial Pharmaceutical Composition	27-Mar-2009	Registered	007-HAI-DAJ-RE-6
Indonesia	Anti-Malarial Pharmaceutical Composition	27-Oct-2008	Pending	W-00201303488
Malaysia	Anti-Malarial Pharmaceutical Composition	07-Oct-2008	Pending	PI 2013002816
Mexico	Anti-Malarial Pharmaceutical Composition	25-Oct-2008	Application allowed	MX/a/2013/008621
OAPI	Anti-Malarial Pharmaceutical Composition	25-Oct-2007	Registered	1201000141
Philippines	Anti-Malarial Pharmaceutical Composition	27-Oct-2008	Application allowed	1-2013-501567
Rwanda	Anti-Malarial Pharmaceutical Composition	10-Mar-2009	Registered	123/ARK
Singapore	Anti-Malarial Pharmaceutical Composition	25-Oct-2007	Registered	201002621-9
South Africa	Anti-Malarial Pharmaceutical Composition	25-Oct-2007	Registered	2010/02607
United Kingdom	Anti-Malarial Pharmaceutical Composition	25-Oct-2007	Registered	GB0819559.6
USA	Anti-Malarial Pharmaceutical Composition	27-Oct-2008	Under examination	13/952,262
Vietnam	Anti-Malarial Pharmaceutical Composition	27-Oct-2008	Pending	1-2013-00873
Yemen	Anti-Malarial Pharmaceutical Composition	16-Dec-2008	Registered	424/2008

DIRECTORS' REPORT

Your Directors present their report together with the financial statements of the Group consisting of SUDA Ltd and the entities it controlled during the period for the financial year ended 30 June 2015. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report is as follows:

Principal Activities

The principal activities of the entities within the Group during the year were:

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

Review of operations

Operating results for the year

The Group reported revenue of $5,727,589 in the reporting period compared to $8,753,164 in the prior year, a decrease of 35%. The decline in revenue was largely due to SUDA's subsidiary company, Westcoast Surgical and Medical Supplies Pty Ltd (Westcoast). In the prior financial year, Westcoast had secured a contract for the provision of medical supplies to the detention centres which generated sales of $4,087,104 but during this reporting period, this contract generated negligible revenue.

The Consolidated loss for the Consolidated Group was $3,378,331 (2014 loss: $2,060,850) after providing for income tax. The increase in the loss was due to reduced revenues in Westcoast and an increase in expenditure for SUDA's oro-mucosal drug delivery operations. These costs include the expansion of in-house formulation, regulatory and business development activities.

SUDA ended the financial year with net cash of $6,251,947, following a capital raising in April 2015, compared to $3,990,397 at 30 June 2014.

Group overview

SUDA has achieved the following key milestones during the period, as follows:

- Continuing discussions with Medicines for Malaria Venture (MMV) and World Health Organisation (WHO) in respect of the ArTiMist™ as an early intervention treatment when children first show signs of malaria. Protocols for the clinical trials will be presented to the WHO in FY2015;
- SUDA successfully completed a capital raising in April 2015, raising $5.3m via a heavily over-subscribed placement of 146.5 million fully paid ordinary shares at a price of $0.036 per share. The placement received strong support from leading domestic institutions in addition to a number of the Company's existing shareholders;
- The Company entered into an exclusive cross-licence agreement with a US speciality pharmaceutical company, Amherst Pharmaceuticals, based in New Jersey, whereby SUDA secured the rights to an oral spray of zolpidem tartrate (Zolpimist®) for insomnia and granted the rights to SUDA's oral spray of ondansetron (SUD-002) for the treatment of nausea and vomiting induced by chemotherapy or radiotherapy; and
- SUDA's appointed three leading erectile dysfunction specialists to its Clinical Advisory Board for SUD-003 and appointed two leading headache specialists to its Clinical Advisory Board for SUD-001.

1. Oro-Mucosal drug delivery platform

SUDA continues to make good progress with its oro-mucosal platform, OroMist.

A detailed review of each of the key projects has been discussed in the Review of Operations on pages 6 to 13.

2. Malaria Research Company Pty Ltd (MRC) and ArTiMist™

For an outline of developments of the ArTiMist™ project, please refer to pages 8 and 9

3. Westcoast Surgical and Medical Supplies Pty Ltd

For an outline of Westcoast Surgical and Medical Supplies, please refer to page 12.

4. HC Berlin Pharma AG (in liquidation)

In 2009 the company received 8 million one euro shares in consideration of the Manufacturing Rights for ArTiMist™ from HC Berlin Pharma AG which then went into provisional administration in June 2010. The Directors have taken legal advice that confirms that the manufacturing rights are now the property of SUDA and that due to the negligent and fraudulent action of others SUDA cannot be held liable for payment for the 8 million one euro shares issued in 2009 in exchange for the manufacturing rights. The Directors continue to be of the opinion that these issues will not be materially detrimental to the shareholders of SUDA Ltd.

Risk Management

Business risks and mitigations

SUDA has adopted a risk management framework which sets out the processes for the identification and management of risk across the Group. The risk management framework is intended to align with the proposed ISO 9001:2015 (which is to be published later in 2015).

The Risk & Audit committee assists the Board, and reports to, the Board in relation to risk management. The Committee's responsibilities include oversight of the Company's risk management system and to assist the Board to review the adequacy and effectiveness of that system.

The Chief Executive Officer, with the assistance of the Chief Financial Officer and other management, is responsible for establishing and implementing the system for adequately managing risks. Management is also responsible for developing and enhancing specific risk policies, processes and procedures.

The Company was awarded ISO 9001:2008 certification for its quality management system and its laboratory works within the guidelines of Good Manufacturing Practice.

Through its risk management framework, SUDA seeks to:

- Protect its people, communities and the environment and its assets and reputation;
- Ensure good governance and legal compliance; and
- Enable it to realise opportunities and create long term shareholder value.

Set out below are the key risk areas that could have a material impact on the Company and its ability to achieve its objectives. The nature and potential impact of risks changes over time. The risks described below are not the only risks that SUDA faces, and whilst every effort is made to identify and manage material risks, additional risks not currently known or detailed below may also adversely affect the future performance.

Regulatory and licencing risk

If the Company does not obtain the necessary regulatory approvals it will be unable to commercialize its pharmaceutical products. Even if it receives regulatory approval for any product candidates, profitability will depend on its ability to generate revenues from the sale of its products or the licencing of its technology.

The clinical development, manufacturing, sales and marketing of the Company's products are subject to extensive regulation by regulatory authorities in the United States, the United Kingdom, the European Union, Australia and elsewhere. These regulations vary in important, meaningful ways from country to country.

Despite the substantial time and expense invested in preparation and submission of a Marketing Licence Application or equivalents in other jurisdictions, regulatory approval is never guaranteed.

Success of future trials

Ongoing and future clinical trials of the Company's product candidates may not show sufficient safety or efficacy to obtain requisite regulatory approvals for commercial sale.

Phase I and phase II clinical trials are not primarily designed to test the efficacy of a product candidate but rather to test safety and to understand the product candidate's side effects at various doses and schedules. Furthermore, success in preclinical and early clinical trials does not ensure that later large scale trials will be successful nor does it predict final results. Acceptable results in early trials may not be repeated in later trials. Further, phase III clinical trials may not show sufficient safety or efficacy to obtain regulatory approval for marketing.

The Company may conduct lengthy and expensive clinical trials of its product candidates, only to learn that the product candidate is not an effective treatment or not sufficiently safe. A number of companies in the biotechnology industry have suffered significant setbacks in clinical trials, even after promising results in earlier trials. In addition, clinical results are frequently susceptible to varying interpretations that may delay, limit or prevent regulatory approvals. Negative or inconclusive results or adverse medical events during a clinical trial could require that the clinical trial be redone or terminated. In addition, failure to construct appropriate clinical trial protocols could result in the test or control group experiencing a disproportionate number of adverse events and could require that a clinical trial be redone or terminated.

Key personnel and contractor reliance risk

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

To the extent the Company relies significantly on contractors, it will be exposed to risks related to the business conditions of its contractors.

Future funding requirements

The Company may require substantial additional financing in the future to sufficiently fund its operations and research. It has been incurring losses and will continue to do so as it expands its drug development programs. The Company's actual cash requirements may vary from those now planned and will depend upon many factors, including:

- the continued progress of its research and development programs;
- the timing, costs and results of clinical trials;
- the cost, timing and outcome of submissions for regulatory approval;
- the commercial potential of its product candidates; and
- the status and timing of competitive developments.

Significant changes in the state of affairs

The significant events during the 2014-15 financial year were:

i. Resignation of a Non-Executive Director

Mr Ken Robson resigned in August 2014.

ii. Termination of the Bergen agreement

The Bergen Global Opportunity Fund, LP (Bergen) facility was terminated in July 2014 and the final issue of shares to Bergen occurred in August 2014.

iii. Exercise of options

The options that expired on 30 June 2014 were fully underwritten and the Company received $1.4m and issued shares in respect of the exercise of these options in July 2014.

iv. ISO9001 certification

In September 2014, the Company was awarded ISO 9001:2008 certification for its quality management system.

v. Cross-Licence agreement

In January 2015, the Company granted an exclusive licence to SUD-002 oral spray for Americas and Africa and in return SUDA received an exclusive global licence, excluding Americas and South Africa to Zolpimist® oral spray. Zolpimist® is a patented, fast-acting sedative for insomnia registered in the USA.

vi. Successfully raised $5.3m in a placement in April 2015.

The purpose of the capital raising was to add value to two of SUDA's first in-class patented oral sprays (SUD-001 for migraine and SUD-003 for erectile dysfunction); to support the Company's expanding business development activities; and to provide additional working capital.

vii. Set up two clinical advisory boards (CAB)

In April 2015, the Company established a CAB for SUD-001 migraine oral spray and in June 2015, established a CAB for SUD-003 erectile dysfunction oral spray.

Significant events after balance date

i. On 31 July 2015, SUDA announced that it was granted a patent in Africa for ArTiMist™ anti-malarial spray. The patent was issued by the African Regional Intellectual Property Organisation which comprises of 19 member states.

ii. On 6 August 2015, SUDA announced it had received a written response from the US Food and Drug Administration (FDA) in relation to the development plan of SUDA's SUD-001 sumatriptan oral spray. The FDA acknowledged SUDA's proposed development strategy and requested only minor justifications to the study design.

iii. On 24 August 2015, SUDA established a new fully owned subsidiary in the UK, SUDA Europe Ltd, primarily to access grants available within the European Union.

iv. On 26 August 2015, SUDA announced the acquisition of the 20% minority shareholding in SUDA's subsidiary company Malaria Research Company Pty Ltd (MRC). MRC owns the rights to the anti-malarial spray ArTiMist™. SUDA paid A$1,200,000 for the 20% shareholding and was in full and final settlement of all outstanding liabilities between SUDA and the minority shareholder.

Likely developments and expected results

The Company's drug delivery business is in various stages of development and is adopting a staged business and marketing strategy as the Company moves along the growth path and 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.

Future licence agreements and research collaborations represent key strategic assets both from a financial and knowledge point of view, helping to finance other in-house projects.

The initial focus is on a partnership or divesture of ArTiMist™ and of at least one of the other lead development products.

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

Environmental legislation

The Group is not subject to any significant environmental legislation.

Dividends

No dividends have been paid or declared since the start of the financial year and the Directors do not recommend the payment of a dividend in respect of the financial year.

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify all the directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company paid a premium in respect of a contract insuring the directors and officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Directors

The names of directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities:

Mr Michael Stewart
Chairman

Qualifications:
Bachelor of Applied Science (GeoPhysics), Associateship (Geology)

Description of 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 both the securities industry and in bilateral donor funded and World Bank co-financed Aid Projects in under-developed countries.

Michael Stewart is a member of the Group's Risk & Audit Committee, Nomination Committee and HR & Remuneration Committee.

In the 3 years immediately before the end of the financial year, Michael Stewart did not serve as a director of other public companies.

Mr Stephen Carter
Managing Director, Chief Executive Officer

Qualifications:
Bachelor of Science

Description of experience:
Stephen Carter joined the Board of SUDA Ltd on 26 October 2010. He has extensive pharmaceutical industry experience and has held a variety of senior positions with listed public companies including roles as both Chairman and 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.

Stephen Carter is a member of the Risk & Audit Committee, Nomination Committee and HR & Remuneration Committee.

In the 3 years immediately before the end of the financial year, Stephen Carter did not serve as a director of other public companies.

Mr Joseph Ohayon
Director, Chief Financial Officer, Company Secretary

Qualifications:
Chartered Accountant, Masters of Business Administration: International Business

Description of 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 on 1 December 2012. He has over 20 years' experience in financial roles.

Joseph Ohayon is a member of the Group's Risk & Audit Committee, Nomination Committee and HR & Remuneration Committee.

In the 3 years immediately before the end of the financial year, Joseph Ohayon did not serve as a director of other public companies.

Mr Ken Robson
Non-executive director (resigned 7 August 2014)

Qualifications:
BJuris (Hons) LLB (Hons) (UWA)

Description of 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 Robson was a member of the Group's Risk & Audit Committee and HR & Remuneration Committee.

In the 3 years immediately before the end of the financial year, Ken Robson did not serve as a director of other public companies.

Company Secretary

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

Interests in the shares and options of the Company and related bodies corporate

The following relevant interests in shares and options of the Company or a related body corporate were held by the directors as at the date of this report.

Directors	Number of fully paid ordinary shares	Number of options over ordinary shares	Number of performance rights
Michael Stewart	23,483,334	5,000,000	2,712,820
Stephen Carter	-	-	4,069,231
Joseph Ohayon	-	-	2,750,000

Details of ordinary shares issued by the Company during, or since the end of, the financial year as a result of the exercise of an option are:

Date of issue	Number of shares	Amount paid per share
11 Jul 2014	28,200,000	5 cents
17 Nov 2014	2,500,000	5 cents
	30,700,000	

There are no unpaid amounts on the shares issued.

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Details	Number of shares
31 December 2015	5 cents	NovaDel: part settlement of acquisition	10,000,000
20 July 2015	5 cents	Under an ESOP	4,000,000
11 May 2017	7.2 cents	Under an ESOP to M Stewart	5,000,000
			19,000,000

REMUNERATION REPORT (AUDITED)

This report, which forms part of the directors' report, outlines the remuneration arrangements in place for the key management personnel ("KMP") of SUDA Ltd (the "Company") for the financial year ended 30 June 2015. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent Company.

Key Management Personnel

Directors

Michael Stewart	Chairman (non-executive)
Stephen Carter	Managing Director / Chief Executive Officer
Joseph Ohayon	Chief Financial Officer
Ken Robson	Non-executive (resigned 7 August 2014)

Executives

Nick Woolf	Chief Business Officer
John Billingham	General Manager – Westcoast

Remuneration philosophy

The performance of the Company depends upon the quality of the directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

HR & Remuneration Committee

The HR & Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors, the CEO and the executive team.

The HR & Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration structure

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

Relationship between remuneration policy and company performance

The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and executives. The methods implemented are discussed below.

The following lists the performance of the company since the 2011 financial year:

	2011	2012	2013	2014	2015
	$	$	$	$	$
Revenue	3,089,342	4,001,951	4,065,665	8,753,164	5,727,589
Net Loss	(4,423,195)	(4,437,023)	(1,667,519)	(2,060,850)	(3,378,331)
Share Price at year-end	0.03	0.013	0.025	0.05	0.028
Dividends Paid	0.00	0.00	0.00	0.00	0.00
Market capitalisation	14.86m	7.73m	16.34m	51.31m	31.81m

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 25 November 2010 when shareholders approved an aggregate remuneration of $200,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Company.

Senior manager and executive director remuneration

Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Fixed Remuneration

Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

The fixed remuneration component of the key management personnel is detailed in the table on page 24.

Variable Remuneration

The Directors considered that it was desirable to establish various employee incentive plans, in order to:

a. reward employees of the Company;

b. assist in the retention and motivation of employees of the Company; and

c. provide an incentive to employees of the Company to grow shareholder value by providing them with an opportunity to receive an ownership interest in the Company.

Accordingly, on 6 March 2014, the Directors adopted the:

a. Employee Share Option Plan (Option Plan) under which Directors and executives and other employees may be offered the opportunity to be granted Options;

b. Employee Performance Rights Plan (Performance Rights Plan) under which Directors, executives, contractors and consultants and other employees may be offered the opportunity to be granted Performance Rights;

c. Tax Exempt Plan under which eligible employees may be issued up to $1,000 of Shares; and

d. Short Term Incentive Plan (STI) under which executives and other eligible employees may be offered an award upon satisfaction of performance conditions. Currently, executive Directors have not received approval to participate in the STI.

The plans are designed to provide incentives to the employees and Directors of the Company and to recognise their contribution to the Company's success. Under the current circumstances the Directors consider that the incentive plans are a cost effective and efficient incentive for the Company as opposed to alternative forms of incentives such as increased cash based remuneration. To enable the Company to secure employees and Directors who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such personnel. The plans are designed to achieve this objective by encouraging continued improvement in performance over time and by encouraging personnel to acquire and retain shareholdings in the Company.

As Directors of the Company may receive securities in the Company under the Option Plan or Performance Rights Plan, prior shareholder approval will therefore be required before a Director or related party of the Company can participate in an issue of Options under the Option Plan or an issue of Performance Rights under the Performance Rights Plan. Directors will not participate in the Tax Exempt Plan.

Short-Term Incentive (STI) Plan

The objective of the short term incentive program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential short term incentive available is set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Actual payments granted to each senior manager depend on the extent to which specific operating targets set at the beginning of the financial year are met.

Aspect	**Plan Rules, Offers and Comments**
Measurement period	The Company's financial year, i.e. from 1 July to the following 30 June, with a review after 6 months.
Eligible participants	Senior management and consultants that have worked with the Company for at least 2 years
Performance conditions	The profit before income tax of the Group must exceed $2m.
Incentive pool	The incentive pool will be 4% of the profit before income tax.
Award opportunities	KMP's have been allocated a percentage of the pool, of which75% of the award is directly linked to the financial performance of the Group and the remaining 25% is linked to KPIs and are at the CEO/Board discretion. The CBO has the opportunity to earn 1% of total sales value of a project

Executive Long-Term Incentive (LTI) Plan

Aspect	Plan Rules and Offers
Measurement Period	The LTI Plan is for 3 years from March 2014.
LTI Offer	Options and Performance Rights were offered under the Plan during the financial year with the relevant policies and Plan rules.
Eligible participants	Executive directors, non-executive directors and senior management are eligible for the LTI.
Performance conditions	The Directors are of the opinion that the performance conditions of Options and Performance Rights should be linked to shareholder return and consider that the most appropriate measure is the market capitalisation of the Company. The market capitalisation on the date of approval of the Option Plan and Performance Rights Plan by the Board on 6 March 2014, was $60,089,390 ($MC_0$). The intention of the Directors is that the market capitalisation of the Company increase by 100% during the life of the Option Plan and Performance Rights Plan in order for the Directors to receive the full benefit of the Options or Performance Rights. The performance conditions are also linked to continuous employment so that the Directors have to be employed by the company for a minimum of 12 months before any Options or Performance Rights vest.
Terms of Options	Each Option will be granted to eligible employees under the Option Plan for nil consideration. The exercise price of an Option shall be 145% of the VWAP of Shares sold on ASX during the five trading days up to and including the grant date, or such other period as determined by the Board in its discretion.
Vesting	The Options will vest following satisfaction of the performance conditions or such other date as determined by the Board in its discretion.
Cashless Exercise Facility	Participants may, at their election, elect to pay the exercise price for an Option by setting off the exercise price against the number of Shares which they are entitled to receive upon exercise (Cashless Exercise Facility). By using the Cashless Exercise Facility, the participant will receive Shares to the value of the surplus after the exercise price has been set off.
Disposal restrictions	A participant may not transfer an Option granted under the Option Plan without the prior consent of the Board.
Terms of Performance Rights	Each Performance Right will be granted to eligible employees under the Performance Rights Plan for nil consideration.
Vesting	The Performance Rights will vest following satisfaction of the performance conditions or such other date as determined by the Board in its discretion.
Disposal restrictions	A participant may not transfer a Performance Right granted under the Performance Rights Plan without the prior consent of the Board. A participant may not transfer a Share issued under the Performance Rights Plan for a period of two years after the date of issue without the prior consent of the Board or such other period as determined by the Board in its discretion.
Lapse	A Performance Right will immediately lapse upon the first to occur of: i. its expiry date; ii. the performance condition(s) (if any) not being satisfied prior to the end of the performance period(s); iii. the transfer or purported transfer of the Performance Right in breach of the Performance Rights Plan rules; iv. if the Performance Right has not vested, the day that is 30 days following the date the participant voluntarily or for a bona fide reason ceases to be employed or engaged by the Company or an associated body corporate; v. termination of the participant's employment or engagement with the Company or an associated body corporate for cause; or vi. 6 months after an event which gives rise to a vesting under the Performance Rights Plan rules.

The aggregate of annual payments available for executives across the Group is subject to the approval of the Remuneration Committee.

The Company also makes long term incentive payments to reward senior executives in a manner that aligns this element of remuneration with the creation of shareholder wealth.

Employment Contracts

The details of the executives' employment contracts are:

Executive	Period of notice
Stephen Carter	3 months
Joseph Ohayon	3 months
Nicholas Woolf	3 months
John Billingham	3 months

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Key Management Personnel remuneration for the years ended 30 June 2015 and 30 June 2014

	Short-term employee benefits		Other long-term benefits					Equity
	Salary & fees	Bonus	Other[1]	Superan-nuation	Share options	Perfor-mance Rights	Total	Perfor-mance related
30 June 2015	$	$	$	$	$	$	$	%
Michael Stewart	70,000	-	12,000	6,650	-	-	88,650	0.0%
Stephen Carter	250,290	-	-	23,778	-	-	274,068	0.0%
Joseph Ohayon	205,833	-	-	19,554	-	33,750	259,137	13.0%
Ken Robson	4,102	-	-	390	-	-	4,492	0.0%
Executives								
Nick Woolf	161,247	-	-	15,318	-	24,545	201,110	12.2%
John Billingham	120,000	-	-	11,400	-	-	131,400	0.0%

	Short-term employee benefits		Other long-term benefits					Equity
	Salary & fees	Bonus	Other[1]	Superan-nuation	Share options	Perfor-mance Rights	Total	Perfor-mance related
30 June 2014	$	$	$	$	$	$	$	%
Michael Stewart	55,000	-	57,000	5,087	75,838	74,060	266,985	56.1%
Stephen Carter	238,431	-	-	22,055	-	111,090	371,576	29.9%
Joseph Ohayon	193,750	-	-	17,922	-	-	211,672	0.0%
Ken Robson	40,000	-	6,364	3,700	-	-	50,064	0.0%
Executives								
Nick Woolf	115,962	-	-	10,726	-	-	126,688	0.0%
John Billingham	120,000	13,849	-	12,381	60,852	-	207,082	29.4%

Note 1. Consulting Fees

No member of key management personnel appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

Option plans in existence during the financial year

	Option grant date	Expiry date	Grant date fair value	Vesting date
ESOP	12 May 2014	11 May 2016	155,565	Note (i)
ESOP	21 July 2013	20 July 2015	60,852	20 July 2013

Note (i): For details on the valuation of the options, including models and assumptions used, please refer to Note 15. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

Bonuses

There were no bonuses paid in the financial year.

Share-based payments granted as compensation to key management personnel during the current financial year

There were no Options granted as compensation to key management personnel.

Options granted, exercised or lapsed during the year.

	Value of options granted at the grant date	Value of options exercised at the exercised date	Value of options lapsed at the date of lapse
	$	$	$
Directors			
Michael Stewart	-	-	-
Stephen Carter	-	-	-
Joseph Ohayon	-	-	-
Ken Robson	-	-	-
Executives			
Nick Woolf	-	-	-
John Billingham	-	-	-

Performance Rights granted, exercised or lapsed during the year.

	Value of PRs granted at the grant date	Value of PRs exercised at the exercised date	Value of PRs lapsed at the date of lapse
	$	$	$
Directors			
Michael Stewart	-	-	-
Stephen Carter	-	-	-
Joseph Ohayon	33,750	-	-
Ken Robson	-	-	-
Executives			
Nick Woolf	24,545	-	-
John Billingham	-	-	-

Shareholdings of Key Management Personnel

30 June 2015	Balance at beginning of period	Granted as remuneration	On Exercise of Options or conversion of convertible note	Net Change Other	Balance at end of period	Balance held nominally
	Number	Number	Number	Number	Number	Number
Directors						
Michael Stewart	10,483,334	-	3,000,000	10,000,000	23,483,334	23,483,334
Stephen Carter	-	-	-	-	-	-
Joseph Ohayon	-	-	-	-	-	-
Ken Robson	-	-	-	-	-	-
Executives						
Nick Woolf	-	-	-	-	-	-
John Billingham	1,054,013	-	-	102,660	1,156,673	1,156,673

30 June 2014	Balance at beginning of period	Granted as remuneration	On Exercise of Options	Net Change Other	Balance at end of period	Balance held nominally
	Number	Number	Number	Number	Number	Number
Directors						
Michael Stewart	1,983,334	-	7,500,000	1,000,000	10,483,334	10,483,334
Stephen Carter	-	-	-	-	-	
Joseph Ohayon	-	-	-	-	-	-
Ken Robson	-	-	-	-	-	-
Executives						
Nick Woolf	-	-	-	-	-	-
John Billingham	684,972	-	-	369,041	1,054,013	1,054,013

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

Option holdings of Key Management Personnel

30 June 2015	Opening balance	Granted as remuneration	Options exercised	Net change Other	Closing balance	Vested but not exercisable	Vested and exercisable	Options vested during year
	Number	Number	Number	Number	Number	Number	Number	Number
Directors								
Michael Stewart	5,000,000	-	-	-	5,000,000	-	-	-
Stephen Carter	-	-	-	-	-	-	-	-
Joseph Ohayon	-	-	-	-	-	-	-	-
Ken Robson	-	-	-	-	-	-	-	-
Executives								
Nick Woolf	-	-	-	-	-	-	-	-
John Billingham	4,000,000	-	-	-	4,000,000	-	4,000,000	4,000,000

	Opening balance	Granted as remuneration	Options exercised	Net change Other	Closing balance	Vested but not exercisable	Vested and exercisable	Options vested during year
30 June 2014	Number	Number	Number	Number	Number	Number	Number	Number
Directors								
Michael Stewart	6,000,000	5,000,000	(3,000,000)	(3,000,000)	5,000,000	-	-	-
Stephen Carter	-	-	-	-	-	-	-	-
Joseph Ohayon	-	-	-	-	-	-	-	-
Ken Robson	-	-	-	-	-	-	-	-
Executives								
Nick Woolf	-	-	-	-	-	-	-	-
John Billingham	-	4,000,000	-	-	4,000,000	-	4,000,000	4,000,000

Performance Rights of Key Management Personnel

	Opening balance	Granted as remuneration	PRs exercised	Net change Other	Closing balance	Vested but not exercisable	Vested and exercisable	PRs vested during year
30 June 2015	Number	Number	Number	Number	Number	Number	Number	Number
Directors								
Michael Stewart	2,712,820	-	-	-	2,712,820	-	-	-
Stephen Carter	4,069,231	-	-	-	4,069,231	-	-	-
Joseph Ohayon	-	2,750,000	-	-	2,750,000	-	-	-
Ken Robson	-	-	-	-	-	-	-	-
Executives								
Nick Woolf	-	2,000,000	-	-	2,000,000	-	-	-
John Billingham	-	-	-	-	-	-	-	-

	Opening balance	Granted as remuneration	PRs exercised	Net change Other	Closing balance	Vested but not exercisable	Vested and exercisable	PRs vested during year
30 June 2014	Number	Number	Number	Number	Number	Number	Number	Number
Directors								
Michael Stewart	-	2,712,820	-	-	2,712,820	-	-	-
Stephen Carter	-	4,069,231	-	-	4,069,231	-	-	-
Joseph Ohayon	-	-	-	-	-	-	-	-
Ken Robson	-	-	-	-	-	-	-	-
Executives								
Nick Woolf	-	-	-	-	-	-	-	-
John Billingham	-	-	-	-	-	-	-	-

Convertible Note holdings of Key Management Personnel

	Opening balance	Granted as remuneration	Received on exercise of options	Net change Other	Closing balance	Balance held nominally
30 June 2015	Number	Number	Number	Number	Number	Number
Directors						
Michael Stewart	350,000	-	-	-	350,000	350,000
Stephen Carter	50,000	-	-	-	50,000	50,000
Joseph Ohayon	20,000	-	-	-	20,000	20,000
Ken Robson	-	-	-	-	-	-
Executives						
Nick Woolf	-	-	-	-	-	-
John Billingham	-	-	-	-	-	-

	Opening balance	Granted as remuneration	Received on exercise of options	Net change Other	Closing balance	Balance held nominally
30 June 2014	Number	Number	Number	Number	Number	Number
Directors						
Michael Stewart	150,000	-	-	200,000	350,000	350,000
Stephen Carter	-	-	-	50,000	50,000	50,000
Joseph Ohayon	-	-	-	20,000	20,000	20,000
Ken Robson	-	-	-	-	-	-
Executives						
Nick Woolf	-	-	-	-	-	-
John Billingham	-	-	-	-	-	-

Transactions and balances with Key Management Personnel

	Consolidated	
	2015	2014
	$	$
Key Management Personnel		
Mr Michael Stewart – consulting services	12,000	57,000
Mr Michael Stewart – interest on convertible notes	21,000	18,699
Mr Michael Stewart – debtor finance facility	50,482	33,874
Mr Stephen Carter – interest on convertible notes	3,000	1,011
Mr Joseph Ohayon – interest on convertible notes	1,200	404
Balance on Convertible Notes		
Mr Michael Stewart	350,000	350,000
Mr Stephen Carter	50,000	50,000
Mr Joseph Ohayon	20,000	20,000

END OF REMUNERATION REPORT

DIRECTORS' REPORT

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Directors' meetings	Risk and Audit committee	HR and Remuneration committee	Nomination Committee
Number of meetings held:	**9**	**2**	**1**	**-**
Number of meetings attended:				
Michael Stewart	9	2	1	-
Stephen Carter	9	2	1	-
Joseph Ohayon	9	2	1	-
Ken Robson (i)	1	-	-	-

(i) Meetings held whilst a director

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.

Auditor Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page xx and forms part of this directors' report for the year ended 30 June 2015.

Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 21 to the financial statements. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110: Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

Corporate Governance

The Corporate Governance Statement can be found on the Company's website, www.sudaltd.com.au under the Corporate section.

Signed in accordance with a resolution of the Directors.

Stephen Carter
Director
Perth 29 September 2015

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 2015, 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.

Perth, Western Australia
29 September 2015

N G Neill
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au
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.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Consolidated 2015 $	Consolidated 2014 $
Revenue	2	5,727,589	8,753,164
Other income	2	136,417	-
Raw materials and consumables used		(5,022,888)	(6,112,710)
Employee benefits expense		(2,469,576)	(2,111,294)
Depreciation and amortisation expense		(181,244)	(67,147)
Finance costs		(156,200)	(158,641)
Other expenses	2	(2,070,346)	(2,544,595)
Loss before income tax expense		(4,036,248)	(2,241,223)
Income tax benefit	3	657,917	180,373
Loss for the year		**(3,378,331)**	**(2,060,850)**
Total comprehensive loss for the year		**(3,378,331)**	**(2,060,850)**
Loss and total comprehensive loss attributable to:			
Owners of the parent		(3,367,191)	(2,051,794)
Non-controlling interests		(11,140)	(9,056)
		(3,378,331)	(2,060,850)
Basic earnings per share (cents per share)	5	(0.33)	(0.25)
Diluted earnings per share (cents per share)	5	(0.33)	(0.25)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Notes	Consolidated 2015 $	Consolidated 2014 $
Assets			
Current assets			
Cash and cash equivalents	6	6,251,947	3,990,397
Trade and other receivables	7	1,318,621	930,565
Inventories	8	1,540,554	1,787,897
Other assets		233,258	776,273
Total current assets		9,344,380	7,485,132
Non-current assets			
Property, plant and equipment	9	388,617	312,439
Intangible assets	10	13,087,746	12,549,453
Total non-current assets		13,476,363	12,861,892
Total assets		22,820,743	20,347,024
Liabilities			
Current liabilities			
Trade and other payables	11	1,795,156	2,480,468
Borrowings	12	1,725,000	-
Total current liabilities		3,520,156	2,480,468
Non-current liabilities			
Borrowings	12	-	1,875,000
Total non-current liabilities		-	1,875,000
Total liabilities		3,520,156	4,355,468
Net assets		**19,300,587**	**15,991,556**
Equity			
Issued capital	13	55,573,622	48,944,557
Reserves	14	628,255	569,958
Accumulated losses		(38,932,438)	(35,565,247)
Equity attributable to owners of the parent		17,269,439	13,949,268
Non-controlling interests		2,031,148	2,042,288
Total equity		**19,300,587**	**15,991,556**

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated				
	Issued capital $	Accumulated losses $	Share-based payment reserve $	Non-controlling interests $	Total equity $
Balance as at 30 June 2013	40,128,687	(33,513,453)	74,846	-	6,690,080
Non-controlling interest arising on project development of subsidiary company	-	-	-	2,051,344	2,051,344
Shares issued during the year	9,160,803	-	-	-	9,160,803
Share issue costs	(344,933)	-	-	-	(344,933)
Loss for the year attributable to members of the parent entity	-	(2,051,794)	-	-	(2,051,794)
Loss for the year attributable to non-controlling interest	-	-	-	(9,056)	(9,056)
Share-based payments	-	-	495,112	-	495,112
Balance as at 30 June 2014	48,944,557	(35,565,247)	569,958	2,042,288	15,991,556
Balance as at 1 July 2014	48,944,557	(35,565,247)	569,958	2,042,288	15,991,556
Shares issued during the year	6,925,386	-	-	-	6,925,386
Share issue costs	(296,321)	-	-	-	(296,321)
Loss for the year attributable to members of the parent entity	-	(3,367,191)	-	-	(3,367,191)
Loss for the year attributable to non-controlling interest	-	-	-	(11,140)	(11,140)
Share-based payments	-	-	58,297	-	58,297
Balance as at 30 June 2015	55,573,622	(38,932,438)	628,255	2,031,148	19,300,587

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	Consolidated 2015 $	Consolidated 2014 $
Cash flows from operating activities			
Receipts from customers		6,298,415	8,848,985
Receipts for R&D tax incentive		188,290	174,217
Payments to suppliers and employees		(9,630,256)	(11,554,803)
Interest received		102,774	49,129
Finance costs		(113,630)	(132,158)
Net cash outflows from operating activities	6	(3,154,407)	(2,614,630)
Cash flows from investing activities			
Payments for property, plant and equipment		(282,391)	(288,366)
Payments for intangible assets		(995,823)	(1,715,595)
Proceeds from sale or property, plant and equipment		5,455	-
Net cash outflows from investing activities		(1,272,759)	(2,003,961)
Cash flows from financing activities			
Proceeds from issue of shares		6,986,164	6,393,655
Payments for share issue costs		(296,321)	(448,867)
Proceeds from borrowings		-	1,900,000
Net cash inflows from financing activities		6,689,843	7,844,788
Net increase in cash and cash equivalents		2,262,677	3,226,197
Cash and cash equivalents at the beginning of the year		3,990,397	752,619
Effect of exchange rate fluctuations on cash held		(1,127)	11,581
Cash and cash equivalents at the end of the year	6	6,251,947	3,990,397

The accompanying notes form part of these financial statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements for the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the Group consisting of SUDA Ltd and its subsidiaries.

The financial statements have been prepared on a historical cost basis. Historical cost is based on the fair values of the consideration given in exchange for goods and services.

The financial statements are presented in Australian dollars.

The Company is a listed public Company, incorporated in Australia. The entity's principal activities are:

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

(b) Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2015

In the year ended 30 June 2015, 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.

Standards and Interpretations in issue not yet adopted

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 2015. 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.

(c) Statement of compliance

The financial report was authorised for issue on 29 September 2015

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of SUDA Ltd and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power of the investee;
- Is exposed, or has rights, to variable returns from its involvement in with the investee; and
- Has the ability to its power to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements listed above.

When the Company has less than a majority of the voting rights if an investee, it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights are sufficient to give it power, including,

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties; rights arising from other contractual arrangements; and
- relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in subsidiaries. Any difference between the amount paid by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

- The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit and loss or transferred to another category of equity as specified/permitted by the applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(e) Significant accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of intangibles with indefinite useful lives:

The Group determines whether intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in Note 10.

Share-based payment transactions:

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black and Scholes model or a Binomial model, using the assumptions detailed in Note 15.

(f) 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 $3,378,331 (2014: $2,060,850) and a cash outflow from operating activities of $3,154,407 (2014: $2,614,630). The directors are of the opinion that the Company is a going concern as the cash balance as at 30 June 2015 was $6,251,947 (2014: $3,990,397) following a capital raising in April 2015.

(g) Segment reporting

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

(h) Foreign currency translation

Both the functional and presentation currency of SUDA Ltd and its subsidiaries is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(i) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, and volume rebates.

Sale of goods

Revenue is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from the rendering of services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Contract income is recognised by reference to the total actual costs incurred at the end of the reporting period relative to the proportion of the total costs expected to be incurred over the life of the contract;
- Servicing fees are recognised by reference to the proportion of the total cost of providing the service for the product sold; and
- Revenue from time and material contracts are recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets' net carrying amount on initial recognition.

(j) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(k) Borrowing costs

Borrowing costs are capitalised that are directly attributable to the acquisition, construction or production of qualifying assets where the borrowing cost is 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.

(l) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

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

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

SUDA Ltd and its 100% owned Australian resident subsidiaries have implemented the tax consolidation legislation. Current and deferred tax amounts are accounted for in each individual entity as if each entity continued to act as a taxpayer on its own.

SUDA Ltd recognises its own current and deferred tax amounts and those current tax liabilities, current tax assets and deferred tax assets arising from unused tax credits and unused tax losses which it has assumed from its controlled entities within the tax consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts payable or receivable from or payable to other entities in the Group. Any difference between the amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) controlled entities in the tax consolidated Group.

(n) Other taxes

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(o) Impairment of tangible and intangible assets other than goodwill

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(p) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(q) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 30 days to 60 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group.

The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(s) Financial assets

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

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

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

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

Loans and receivables

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

(t) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Land and buildings are measured at fair value less accumulated depreciation on buildings and less any impairment losses recognised after the date of the revaluation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Leasehold improvements	3 - 5 years
Plant and equipment	2 - 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to approximate fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(u) Intangible assets

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives when available for use. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

(v) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(w) Borrowings

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(x) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

(y) Employee leave benefits

Wages, salaries, annual leave and sick leave

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

Long service leave

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

(z) Share-based payment transactions

Equity settled transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently three plans in place to provide these benefits:

- the Employee Share Option Plan (ESOP), which provides benefits to directors and senior executives;
- the Employee Performance Rights Plan (EPRP); and
- the Tax Exempt Plan under which eligible employees may be issued up to $1,000 of shares, excluding senior executives and directors.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes model or an external valuer using the Binomial model, further details of which are given in Note 15.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of SUDA Ltd (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share, refer Note 5.

(aa) Issued capital

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

(ab) Earnings per share

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

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

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

(ac) Parent entity financial information

The financial information for the parent entity, SUDA Ltd, disclosed in Note 19 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

Share-based payments

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

NOTE 2: REVENUE AND EXPENSES

Revenue	Consolidated	
	2015 $	2014 $
Sales revenue		
- Sale of goods	5,624,815	8,648,187
Other revenue – interest received	102,774	104,977
	5,727,589	8,753,164
Other income		
- Gain on disposal of property, plant and equipment	5,455	-
- Other income	130,962	-
	136,417	-
Other expenses		
Foreign exchange losses	38,625	188,295
Interest expense	156,200	158,642
Write down of inventory to net realisable value	182,615	-
Write-off of obsolete stock	130,697	62,314
Depreciation of non-current assets	181,244	67,147
Operating lease rental expense	9,806	9,953
Share-based payment expense	58,297	365,655
Legal fees (net of recoveries)	464,707	682,203
Professional fees	144,641	303,884

NOTE 3: INCOME TAX

Income tax recognised in profit or loss

The major components of tax expense are:

	Consolidated	
	2015 $	2014 $
Current tax benefit	657,917	180,373
Total tax benefit	657,917	180,373

NOTE 3: INCOME TAX (CONTINUED)

The prima facie income tax benefit on pre-tax accounting profit from operations reconciles to the income tax benefit in the financial statements as follows:

	Consolidated	
	2015 $	2014 $
Net loss for the period	(4,036,249)	(2,241,223)
Prima Facie tax (benefit) on loss from ordinary activities before income tax at 30%	(1,210,875)	(672,367)
Add Tax effect of:		
Non-deductible expense		
Options Expense	17,489	109,697
R&D Expenditure	433,333	122,641
Other	3,973	124,497
Non-assessable items	(31,004)	-
Research and development tax offset	(650,000)	(180,373)
Tax effect of temporary differences and tax losses not brought to account	787,084	315,532
Unders/(overs) – R&D tax offset	(7,917)	-
Income tax benefit	(657,917)	(180,373)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting period.

Amounts recognised directly in equity

Unrecognised deferred tax balances of Australian income tax consolidated group:		
• Unrecognised deferred tax asset – revenue losses	8,228,425	7,115,770
• Unrecognised deferred tax asset – capital losses	1,677,659	1,677,658
• Unrecognised deferred tax asset – other	91,240	161,468
• Unrecognised deferred tax equity	136,720	92,258
• Unrecognised deferred tax liabilities	(160,311)	-
Net unrecognised deferred tax asset	9,973,733	9,047,154

NOTE 4: SEGMENT REPORTING

Description of segments

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.

The Group has 3 main types of products and services by segment:

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

i. **Westcoast Surgical & Medical Supplies (Westcoast)**. Westcoast is a sales and logistics operation for medical devices and consumables.

i. **Malaria Research Company (MRC)**. MRC is the pharmaceutical development segment for the treatment of malaria, i.e. ArTiMist™ project.

NOTE 4: SEGMENT REPORTING (CONTINUED)

Segment information

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the years ended 30 June 2015 and 30 June 2014.

	Suda $	Westcoast $	MRC $	Other $	Consolidated $
30 June 2015					
Revenue					
Sales to external customers	-	5,624,815	-	-	5,624,815
Inter-segment sales (*i*)	349,523	-	-	-	349,523
	349,523	5,624,815	-	-	5,974,338
Inter-segment sales eliminated					(349,523)
Total segment revenue					5,624,815
Segment net operating profit (loss) after tax	(1,904,045)	(1,275,506)	(55,702)	(143,078)	(3,378,331)
Interest revenue	102,774	-	-	-	102,774
Interest expense	(110,849)	(52,892)	-	7,540	(156,200)
Depreciation and amortisation	(106,905)	(74,339)	-	-	(181,244)
Segment assets	13,239,182	2,194,562	10,742,781	(233,486)	25,943,039
Inter-segment eliminations					(3,122,296)
Total assets					22,820,743
Capital expenditure	151,545	26,684	-	-	178,229
Other assets	612,945	-	-	-	612,945
Segment liabilities	2,746,295	3,174,794	721,364	-	6,642,453
Inter-segment eliminations					(3,122,296)
Total liabilities					3,520,156
Cash flow information					
Net cash flow from operating activities	(1,952,701)	(1,036,024)	(249,403)	83,721	(3,154,407)
Net cash flow from investing activities	(2,512,480)	(23,944)	242,686	1,020,979	(1,272,759)
Net cash flow from financing activities	6,689,843	1,103,573	-	(1,103,573)	6,689,843

Note i: Intersegment revenue is recorded at amounts equal to competitive market prices charged to external customers for similar goods and is eliminated on consolidation.

	Suda $	Westcoast $	MRC $	Other $	Consolidated $
30 June 2014					
Revenue					
Sales to external customers	-	8,648,187	-	-	8,648,187
Inter-segment sales (*i*)	124,962	-	-	-	124,962
	124,962	8,648,187	-	-	8,773,149
Inter-segment sales eliminated					(124,962)
Total segment revenue					8,648,187
Segment net operating profit (loss) after tax	(2,984,950)	969,379	(45,279)	-	(2,060,850)
Interest revenue	103,473	1,504	-	-	104,977
Interest expense	(127,493)	(31,149)	-	-	(158,642)
Depreciation and amortisation	(36,314)	(30,833)	-	-	(67,147)
Segment assets	8,672,997	2,642,913	10,425,385	-	21,741,295
Inter-segment eliminations					(1,394,271)
Total assets					20,347,024
Capital expenditure	147,125	138,502	-	-	285,627
Other assets	2,172,589	-	2,247,110	-	4,419,699
Segment liabilities	3,286,017	2,222,677	241,045	-	5,749,739
Inter-segment eliminations					(1,394,271)
Total liabilties					4,355,468
Cash flow information					
Net cash flow from operating activities	(2,691,178)	88,129	-	(11,581)	(2,614,630)
Net cash flow from investing activities	(1,881,461)	(129,721)	7,221	-	(2,003,961)
Net cash flow from financing activities	7,844,788	-	-	-	7,844,788

Note i: Intersegment revenue is recorded at amounts equal to competitive market prices charged to external customers for similar goods and is eliminated on consolidation.

Other segment information

Revenue from external customers by geographical locations is detailed below. Revenue is attributed to geographical location based on the location of customers. The Company does not have external revenues from external customers that are attributable to any foreign country other than shown.

	Consolidated	
	2015	2014
	$	$
Australia	5,624,815	8,648,187
Total revenue	5,624,815	8,648,187

NOTE 4: SEGMENT REPORTING (CONTINUED)

Segment net operating profit

The executive management committee meets on a monthly basis to assess the performance of each segment by analysing the segment's net operating profit after tax. A segment's net operating profit after tax excludes non-operating income and expense such as dividends received, fair value gains and losses, gains and losses on disposal of assets and impairment charges. Income tax expenses are calculated as 30% (2014: 30%) of the segment's net operating profit.

Segment assets

In assessing the segment performance on a monthly basis, the executive management committee analyses the segment result as described above and its relation to segment assets. Segment assets are those operating assets of the entity that the management committee views as directly attributable to the performance of the segment. These assets include plant and equipment, receivables, inventory and intangibles and exclude available-for-sale assets, derivative assets, deferred tax assets, and pension assets.

Segment liabilities

Segment liabilities include trade and other payables and debt. The Group has a centralised finance function that is responsible for raising debt and capital for the entire operations. Each entity or business uses this central function to invest excess cash or obtain funding for its operations. The executive management committee reviews the level of debt for each segment in the monthly meetings.

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 20% of external revenue (2014: 47%). The next most significant client accounts for 12% (2014: 6%) of external revenue.

NOTE 5: EARNINGS PER SHARE

Basic earnings per share

	Consolidated	
	2015	2014
	Cents per share	Cents per share
Total basic earnings per share	(0.33)	(0.25)
Diluted earnings per share	(0.33)	(0.25)

Basic earnings per share and Diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share and diluted earnings per share is as follows:

	Consolidated	
	2015	2014
	$	$
Earnings	(3,378,331)	(2,060,850)
	Number	Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,015,727,042	835,955,632
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,015,727,042	835,955,632

NOTE 6: CASH AND CASH EQUIVALENTS

	Consolidated	
	2015	2014
	$	$
Cash at bank and on hand	751,947	490,397
Short-term deposits	5,500,000	3,500,000
	6,251,947	3,990,397

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one and six months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Reconciliation to the Statement of Cash Flows:

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of outstanding bank overdrafts.

Cash and cash equivalents as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash and cash equivalents	6,251,947	3,990,397

Reconciliation of profit for the year to net cash flows from operating activities

Profit for the year	(3,378,331)	(2,060,850)
Foreign exchange (gain)/loss		
Share-based payment expense	58,297	365,655
Depreciation	181,244	67,147
Write-off of obsolete stock / inventory write down	313,312	62,314
Net (gain)/loss on disposal of property, plant and equipment	(5,455)	-
Change in net assets and liabilities		
(Increase)/decrease in assets:		
Trade and other receivables	(394,913)	(114,842)
Prepayments	543,015	(535,740)
Inventories	176,374	(984,604)
Increase/(decrease) in liabilities:		
Trade and other payables	(662,240)	586,290
Provisions	14,290	-
Net cash from operating activities	(3,154,407)	(2,614,630)

NOTE 7: TRADE AND OTHER RECEIVABLES

	Consolidated	
	2015	2014
	$	$
Trade receivables (i)	687,447	769,018
Allowance for impairment	(18,826)	(18,826)
	668,621	750,192
R&D tax incentive receivable	650,000	180,373
	1,318,621	930,565

(i) the average credit period on sales of goods and rendering of services is 45 days. An allowance has been made for estimated irrecoverable trade receivable amounts.

Ageing of past due but not impaired

30 – 60 days	114,167	94,632
60 – 90 days	17,414	3,638
90 – 120 days	-	13,670
Total	135,581	111,940

Movement in the allowance for doubtful debts

Balance at the beginning of the year	18,826	18,826
Impairment losses recognised on receivables	-	-
Balance at the end of the year	18,826	18,826

In determining the recoverability of a trade receivable, the Group considers any changes in the credit quality of the trade receivable from the date credit was initially granted up to the balance date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for impairment.

NOTE 8: INVENTORIES

	Consolidated	
	2015	2014
	$	$
Finished goods – at net realisable value	1,301,140	1,565,563
Raw materials	239,414	222,334
	1,540,554	1,787,897

Inventory write-downs and obsolete stock charged to cost of sales totalled $313,055 (2014: $62,314).

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	Plant and equipment	Total
Gross carrying amount	$	$
Balance at 1 July 2013	382,551	382,551
Additions	204,848	204,848
Disposals	(151,473)	(151,473)
Balance at 1 July 2014	435,926	435,926
Additions	257,422	257,422
Disposals	(28,672)	(28,672)
Balance at 30 June 2015	664,676	664,676
Accumulated depreciation and impairment		
Balance at 1 July 2013	207,812	207,812
Depreciation expense	67,147	67,147
Disposals	(151,473)	(151,473)
Balance at 1 July 2014	123,487	123,487
Depreciation expense	181,244	181,244
Disposals	(28,672)	(28,672)
Balance at 30 June 2015	276,059	276,059
Carrying value: 30 June 2015	388,617	388,617
Carrying value: 30 June 2014	312,439	312,439

	Consolidated	
	2015	2014
	$	$
Cost	664,676	435,926
Accumulated depreciation and impairment	(276,059)	(123,487)
Net carrying amount	388,617	312,439

Plant and equipment with a carrying amount of $388,617 (2014: $312,439) for the Group and $265,705 (2014: $167,928) for the parent are pledged as securities for current and non-current liabilities as disclosed in Note 12.

NOTE 10: INTANGIBLE ASSETS

	Development Costs	Total
	$	$
Gross carrying amount		
Balance at 1 July 2013	8,180,275	8,180,275
Additions	484,422	484,422
Acquisitions	1,833,412	1,833,412
Distribution rights acquired	2,051,344	2,051,344
Balance at 30 June 2014	12,549,453	12,549,453
Balance at 1 July 2014	12,549,453	12,549,453
Additions	538,293	538,293
Balance at 30 June 2015	13,087,746	13,087,746

No impairment loss was recognised for continuing operations in the 2015 financial year.

NOTE 11: TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated	
	2015	2014
	$	$
Trade payables (*i*)	1,577,754	1,680,986
Sundry payables and accrued expenses	191,027	769,696
Interest payable (*ii*)	26,375	29,786
	1,795,156	2,480,468

(i) Trade payables are non-interest bearing and are normally settled on 30-45 day terms.

(ii) Interest payable is normally settled six-monthly throughout the financial year.

Information regarding the interest rate, foreign exchange and liquidity risk exposure is set out in Note 16.

NOTE 12: BORROWINGS

	Consolidated	
	2015	2014
Current	$	$
Secured		
Convertible Notes	1,725,000	-
Total secured borrowings	1,725,000	-
Non-current		
Secured		
Convertible Notes	-	1,875,000
Total secured borrowings	-	1,875,000

Fair value disclosures

Details of the fair value of the Group's borrowings are set out in Note 16.

Summary of borrowing arrangements

The key terms of the Convertible Notes are:

i. Convertible at $0.03 per share

ii. Interest rate at 6% paid semi-annually

iii. Maturity date is 30 September 2015

iv. Security is a general security interest.

v. Redemption, if not converted at expiry, the Convertible Notes will be redeemed at 105% of the face value

1,900,000 convertible notes were issued by the Company on 16 September 2013 (420,000 were subject to shareholder approval which was received on 12 November 2013) at an issue price of $1 per note. Each note entitles the holder to convert to ordinary shares at a cost of 3 cents per share.

Conversion may occur at any time between 16 March 2014 and 30 September 2015. If the notes have not been converted, they will be redeemed on 30 September 2015 at $1.05. Interest of 6% is paid 6-monthly in arrears up until settlement date.

Financing facilities available

At balance date, the following financing facilities had been negotiated and were available:

	Consolidated	
	2015	2014
	$	$
Total facilities		
• Debtor Finance Facility	-	450,000
Facilities used at balance date		
• Debtor Finance Facility	-	-
Facilities unused at balance date		
• Debtor Finance Facility	-	450,000

Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

Current		
Floating charge		
Receivables	668,621	750,192
Inventories	1,540,554	1,787,897
Total current assets pledged as security	2,209,175	2,538,089
Non-Current		
Property, plant and equipment	388,617	312,439
Intangible assets	13,087,746	12,549,454
Total non-current assets pledged as security	13,476,363	12,861,892
Total assets pledged as security	15,685,538	15,399,981

NOTE 13: ISSUED CAPITAL

	Consolidated	
	2015	2014
	$	$
1,136,010,587 (2014: 950,262,913) fully paid ordinary shares	55,573,622	48,944,557

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Movement in ordinary shares on issue

	2015		2014	
	Number	$	Number	$
Balance at beginning of year	950,262,913	48,944,557	653,648,691	38,857,967
Shares issued during the year:			296,614,222	10,086,590
- Share placement	146,467,100	5,272,816		
- Pursuant to Share Purchase and Convertible Security Agreement	2,583,979	100,000		
- Conversion of convertible notes	5,009,820	150,000		
- Settlement of interest on convertible notes	986,775	42,570		
- Exercise of options	30,700,000	1,360,000		
Share issue costs		(296,321)		
Balance at end of year	1,136,010,587	55,573,622	950,262,913	48,944,557

Share options

The Company has two share based payment option schemes under which options to subscribe for the Company's shares have been granted to certain executives and other employees, refer Note 15.

NOTE 14: RESERVES

Nature and purpose of reserves

Share based payments reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to note 15 for further details of these plans.

Transactions with non-controlling interests

This reserve is used to record the differences described in note 1(d) which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

NOTE 15: SHARE-BASED PAYMENT PLANS

Employee Share Option Plan (ESOP)

On 6 March 2014, the Directors adopted the following plans:

i. Employee Share Option Plan (Option Plan) under which Directors and executives and other employees may be offered the opportunity to be granted Options;

ii. Employee Performance Rights Plan (Performance Rights Plan) under which Directors, executives, contractors and consultants and other employees may be offered the opportunity to be granted Performance Rights;

iii. Tax Exempt Plan under which eligible employees may be issued up to $1,000 of Shares

The vesting of Options and Performance Rights under the terms of the Plans is dependent on **both** of the following performance conditions being satisfied:

i. Market capitalisation, and

ii. Continuous employment

The contractual life of each option granted is 3 years. Options can be settled by payment at the exercise price or a cashless exercise facility is available.

The expense recognised in the statement of comprehensive income in relation to share-based payments is disclosed in note 2.

The following share-based payment arrangements were in place during the current and prior periods:

	Number	Grant date	Expiry date	Exercise price	Fair value at grant date	Vesting date
				$	$	
Options	5,000,000	12 May 2014	11 May 2017	7.2 cents	$75,838	Subject to performance conditions
Performance Rights	6,782,051	12 May 2014	11 May 2017	n/a	$185,150	Subject to performance conditions
Options under employment agreement	4,000,000	21 July 2013	20 July 2015	5.0 cents	$60,852	21 July 2013
Performance Rights	4,750,000	28 Nov 2014	27 Nov 2017	n/a	$58,297	Subject to performance conditions

There has been no alteration of the terms and conditions of the above share-based payment arrangement since grant date.

NOTE 15: SHARE-BASED PAYMENT PLANS (CONTINUED)

The following table illustrates the number and weighted average exercise prices of and movements in share options issued during the year:

	2015		2014	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		$		$
Outstanding at the beginning of year	26,500,000	0.054	30,400,000	0.050
Granted during the year	-		26,500,000	0.054
Exercised during the year	(2,500,000)	0.050	(30,400,000)	0.050
Expired during the year	(5,000,000)	0.050	-	-
Outstanding at the end of year	19,000,000	0.056	26,500,000	0.054
Exercisable at the end of year	14,000,000	0.050	21,500,000	0.050

The following share options were exercised during the year:

	Exercised	Exercise date	Share price at exercise date
	Number		$
Expiry date 6/6/15 @ $0.05	2,500,000	17/11/2014	0.069

The share options outstanding at the end of the year had an exercise price of $0.058 (2013: $0.056) and a weighted average remaining contractual life of 280 days (2014: 492 days).

The fair value of the equity-settled share options granted under both the option and the performance rights plans is estimated as at the date of grant using the Black and Scholes model or the Binomial model taking into account the terms and conditions upon which the options were granted.

30 June 2015	ESOP under employment agreement	ESOP under long term incentive plans
Dividend yield (%)	0.00%	0.00%
Expected volatility (%)	75.736%	75.736%
Risk-free interest rate (%)	2.63%	2.63%
Expected life of option (years)	3 years	3 years
Exercise price (cents)	0.0	0.0
Grant date share price (cents)	7.2	7.2

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

The carrying amount of the liability relating to the cash-settled share-based payment at 30 June 2015 is $869,789 (2014: $729,332).

NOTE 16: FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2014.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

Categories of financial instruments

		Consolidated	
		2015	2014
	Note	$	$
Financial assets			
Cash and cash equivalents	6	6,251,947	3,990,397
Loans and receivables	7	668,621	750,192
		6,920,568	4,740,589
Financial liabilities			
Trade and other payables	11	1,795,156	2,480,468
Borrowings	12	1,725,000	1,875,000
		3,520,156	4,355,468

Financial risk management objectives

The Group is exposed to market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effect of these risks, by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, commodity prices and exchange rates. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency and commodity price risk including foreign exchange forward contracts to hedge the exchange rate and commodity price risk arising on its production.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

NOTE 16: FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance date expressed in Australian dollars are as follows:

	Liabilities		Assets	
	2015	2014	2015	2014
	$	$	$	$
GBP	649,709	911,466	3,565	17,595
US Dollars	55,383	43,054	64,810	63,820
	705,092	954,520	68,375	81,415

Foreign currency sensitivity analysis

The Group is exposed to US Dollar (USD) and GB Pounds (GBP) currency fluctuations.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss and other equity where the Australian Dollar strengthens against the respective currency. For a weakening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

	Consolidated	
	Profit	Equity
Year ended 30 June 2015	$	$
+/- 2% interest rates	(34,500)	34,500
+/- 5% in AUD / GBP	(34,227)	30,967
+/- 5% in AUD / USD	(2,684)	2,428
Year ended 30 June 2014		
+/- 2% interest rates	(37,500)	37,500
+/- 5% in AUD / GBP	(47,972)	43,403
+/- 5% in AUD / USD	(2,411)	2,181

This is mainly attributable to the exposure outstanding on USD and GBP payables at year end in the Group

The Group's sensitivity to foreign currency during the period has increased due to the commencement of production and entering into of forward foreign currency transactions.

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments within 70% to 80% of the exposure generated. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated sale or purchase transaction takes place.

The following table details the forward foreign currency contracts outstanding as at balance date:

	Consolidated							
	Average exchange rate		Foreign currency		Contract value		Fair value	
Outstanding contracts	2015	2014	2015	2014	2015	2014	2015	2014
	$	$	GBP	GBP	AUD$	AUD$	AUD$	AUD$
Buy GB Pounds								
Less than 3 months	-	0.565	-	500,000	-	961,538	-	961,538
Sell GB Pounds								
Less than 3 months	-	0.565	-	250,000	-	480,769	-	480,769

The Group has entered into forward contracts in respect of GBP liabilities.

Interest rate risk management

The Company and the Group have minimised their exposure to interest rate risk as entities in the Group borrow funds at fixed interest rates.

The Company and Group's exposures to interest rate on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Credit risk management

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers.

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 12 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

NOTE 17: COMMITMENTS AND CONTINGENCIES

Property leases

The property leases are non-cancellable leases with either on a one-year term or 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 leases at the end of the term for an additional term of one or three years. The leases allow for subletting of all lease areas.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	2015	2014
	$	$
Within one year	175,640	216,598
After one year but not more than five years	21,375	164,282
	197,015	380,880

Legal claim

Employee disputes
A former director has instigated various actions against the Company over the last few years. The ex-director has been unsuccessful in these various actions to date, however, various actions are still pending. The Company has received legal advice that it has strong cases and will defend the various actions. 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.

HC Berlin Pharma
The Company is currently in discussions with the liquidator of HC Berlin Pharma in regards a contribution in-kind made in 2008. Since 2010, this claim has been subject to ongoing dispute and recently, negotiation. The Company is unable to determine the amount, if any, of any settlement in the resolution of a claim that has not been actioned.

Guarantees
SUDA Ltd has the following guarantee at 30 June 2015:

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 facility. The period covered by the security is until maturity of the convertible notes on 30 September 2015.

At the end of the reporting period, the balance on the convertible notes was $1,725,000 (refer to Note 12).

NOTE 18: RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of SUDA Ltd and the subsidiaries listed in the following table.

	Country of incorporation	% Equity interest	
		2015	2014
Westcoast Surgical and Medical Supplies Pty Ltd	Australia	100%	100%
Malaria Research Company Pty Ltd	Australia	80%	80%
Eastland CN Nominees Pty Ltd	Australia	100%	100%

SUDA Ltd is the ultimate Australian parent entity and ultimate parent of the Group.

Transactions with Key Management Personnel

Refer to Note 22 for details of transactions with key management personnel.

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash.

NOTE 19: PARENT ENTITY DISCLOSURES

Financial position

	2015	2014
	$	$
Assets		
Current assets	7,064,863	4,965,846
Non-current assets	6,174,319	4,029,740
Total assets	13,239,182	8,995,586
Liabilities		
Current liabilities	2,746,295	1,411,017
Non-current liabilities	-	1,875,000
Total liabilities	2,746,295	3,286,017
Equity		
Issued capital	55,573,622	48,944,557
Reserves		
• Share-based payments	628,255	569,958
Retained earnings	(45,708,990)	(43,804,945)
Total equity	10,492,887	5,709,569
Financial performance		
Total loss and total comprehensive loss	(1,904,045)	(2,984,950)

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 of the parent entity
For details on commitments, see note 17.

NOTE 20: EVENTS AFTER THE REPORTING PERIOD

i. On 31 July 2015, Suda announced that it was granted a patent in Africa for ArTiMist™ anti-malarial spray. The patent was issued by the African Regional Intellectual Property Organisation which comprises of 19 member states.

ii. On 6 August 2015, Suda announced it had received a written response from the FDA in relation to the development plan of Suda's SUD-001 sumatriptan oral spray. The FDA acknowledged Suda's proposed development strategy and requested only minor justifications to the study design.

iii. On 24 August 2015, Suda established a new fully owned subsidiary in the UK, Suda Europe Ltd, primarily to access grants available within the European Union.

iv. On 26 August 2015, Suda announced the acquisition of the 20% minority shareholding in Suda's subsidiary company Malaria Research Company Pty Ltd (MRC). MRC owns the rights to the anti-malarial spray ArTiMist™. Suda paid A$1,200,000 for the 20% shareholding and was in full and final settlement of all outstanding liabilities between Suda and the minority shareholder.

NOTE 21: AUDITOR'S REMUNERATION

The auditor of SUDA Ltd is HLB Mann Judd.

	Consolidated	
	2015	2014
	$	$
Auditor of the parent entity		
Audit or review of the financial statements	52,250	54,000
	52,250	54,000

NOTE 22: DIRECTORS AND EXECUTIVES DISCLOSURES

Details of Key Management Personnel

Directors

Michael Stewart	Chairman (non-executive)
Stephen Carter	Chief Executive Officer
Joseph Ohayon	Chief Financial Officer / Company Secretary

Executives

Nick Woolf	Chief Business Officer
John Billingham	General Manager - Westcoast Surgical & Medical Supplies

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

Other transactions and balances with Key Management Personnel

	Consolidated	
	2015	2014
	$	$
Key Management Personnel		
Mr Michael Stewart – consulting services	12,000	57,000
Mr Michael Stewart – interest on convertible notes	21,000	18,699
Mr Michael Stewart – debtor finance facility	50,482	33,874
Mr Stephen Carter – interest on convertible notes	3,000	1,011
Mr Joseph Ohayon – interest on convertible notes	1,200	404
Balance on Convertible Notes		
Mr Michael Stewart	350,000	350,000
Mr Stephen Carter	50,000	50,000
Mr Joseph Ohayon	20,000	20,000

The aggregate compensation made to Directors and other key management personnel of the Group is set out below:

Short-term employee benefits	900,563	912,227
Share-based payment	-	-
Other long-term benefits	58,297	321,840
	958,860	1,234,067

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 2015 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 2015.

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

Stephen Carter
Director

Dated this 29 day of September 2015

_____

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 2015, 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(c), 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
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au
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.

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 2015 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(c).

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd
Chartered Accountants

N G Neill
Partner

Perth, Western Australia
29 September 2015

ADDITIONAL SECURITIES EXCHANGE INFORMATION

The following information is current as at 31 August 2015:

1. Shareholding

a. Distribution of Shareholders

Category (size of holding)	Number Ordinary
1 – 1,000	70
1,001 – 5,000	154
5,001 – 10,000	296
10,001 – 100,000	1,257
100,001 – and over	1,080
	2,857

b. The number of shareholdings held in less than marketable parcels is 605.

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

Shareholder	Number of ordinary shares
Bank of America Corporation and its related bodies corporate	77,387,842

As announced on 27 May 2015

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	Citicorp Nominees Pty Ltd	71,882,070	6.33
2	J P Morgan Nominees Australia Limited	53,225,503	4.69
3	Brispot Nominees Pty Ltd	41,792,020	3.68
4	UBS Nominees Pty Ltd	38,416,192	3.38
5	Kamala Holdings Pty Ltd	23,483,334	2.07
6	HSBC Custody Nominees	22,032,478	1.94
7	CS Fourth Nominees Pty Ltd	16,808,803	1.48
8	Bamber Investments Pty Ltd	14,050,000	1.24
9	Onicas Investments Pty Ltd	11,089,187	0.98
10	Ms Giovanna Lina Gan	10,607,827	0.93
11	Mrs Linda Lien	10,433,668	0.92
12	Mr T P McGellin & Ms T M Karal	9,804,665	0.86
13	Zerrin Investments Pty Ltd	8,331,666	0.73
14	Dr Michael Wunsch	8,000,000	0.70
15	Peto Pty Ltd	7,440,000	0.65
16	M & S Brooke Pty Ltd	7,176,000	0.63
17	Somerset Corporation Pty Ltd	6,861,462	0.60
18	Mr A Lien	6,861,388	0.60
19	Sempai Investments Pty Ltd	6,525,000	0.57
20	Engineering Supplies (WA) Pty Ltd	6,250,000	0.55

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

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: 110 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. The stock code is SUD.

6. Unquoted Securities

Convertible Notes

1,725,000 convertible notes are on issue and are held by: Foskin Pty Ltd, J&L Stevenson, Engineering Supplies (WA) Pty Ltd, RC Williams, T McGellin, Pivic Pty Ltd, Glenn Brown Pty Ltd, Greanseas Investments Pty Ltd, M Quinsee, Chelsea Investments (WA) Pty Ltd, Zerrin Investments Pty Ltd, Mr & Mrs Ryan, Transcontinental Asset Management, FM Wolf Pty Ltd, Lakehouse Securities Pty Ltd, Jasforce Pty Ltd, NI Consulting Pty Ltd, Weringa Nominees Pty Ltd, Giokir Pty Ltd, Kamala Holdings Pty Ltd, Pearlcove Consulting Group Pty Ltd and J Ohayon

Options over Unissued Shares

A total of 19,000,000 options are on issue. 10,000,000 options are on issue to NovaDel Pharma Inc pursuant to Sale and Purchase Agreement; 4,000,000 options are on issue to John Billingham under an employment agreement; 5,000,000 options are on issue to Michael Stewart under the Executive Long-Term Incentive Plan.

Performance Rights

A total of 11,532,051 performance rights are on issue to Michael Stewart, Stephen Carter, Joseph Ohayon and Nicholas Woolf under the Executive Long-Term Incentive Plan

7. Annual General Meeting

The Annual General Meeting of the Company will be held at 10:30am (WST) on 6 November 2015 at The Boulevard Centre, 99 The Boulevard, Floreat, WA.

This page has been left intentionally blank

SUDA LTD

Level 1, Unit 12, 55 Howe Street
Osborne Park, 6017

P 08 6142 5555
F 08 9443 8858