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SUDA LTD

ANNUAL REPORT **2016**

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SUDA LTD AND CONTROLLED ENTITIES / ABN 35 090 987 250

ANNUAL FINANCIAL REPORT

30 JUNE 2016

CORPORATE DIRECTORY

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	Mr Stephen Carter	Managing Director
	Mr Joseph Ohayon	Executive Director
Company Secretary	Mr Joseph Ohayon	
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	Listing codes:	
	Ordinary Shares	SUD

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TABLE OF CONTENTS

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

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 global reputation in oro-mucosal drug delivery is growing as we continue to generate new discussions with potential partners as well as progressing existing discussions along the project cycle."

Looking at the share price over the last 15 months suggests that the 2015-16 year was not a good year for SUDA, or for the shareholders. We continue to be very conscious of our shareholders' expectations and anticipation of finalising licensing or trade sale agreements.

I would like to take this opportunity to provide further insight into our project developments, our achievements and our business development over the year.

On a corporate level, in August 2015, we acquired ProtoPharma's 20% minority interest in Malaria Research Company Pty Ltd which holds the ArTiMist® project. This had major ramifications such as strengthening the ArTiMist project for sale, removing the requirement to pay dividends from proceeds on the eventual sale and dramatically eased tax implications.

In September 2015 our convertible notes matured but with the support of some of the noteholders as well as new investors we rolled-over the convertible notes for a further 18 months with no cash outlay from the business.

We were, however, unsuccessful in our grant application with the European and Developing Countries Clinical Trials Partnership (EDCTP) to fund the pre-referral clinical trial, due in part to BREXIT, but we are already looking at alternative funding strategies.

On a project development level, we have spent most of the year preparing documentation for a Marketing Authorisation application for ArTiMist for the treatment of severe paediatric malaria with the Australian Therapeutics Good Administration (TGA). The final documentation will be submitted to the TGA by the end of this calendar year.

In June 2015 we presented the development plan for our sumatriptan project (SUD-001 for the treatment of migraine) to the US Food and Drug Administration (FDA). With FDA feedback on our plan in August 2015, we can give clearer direction to prospective partners for the way forward and the cost of completing development in the US market.

Our sildenafil spray (SUD-003 for the treatment of erectile dysfunction) has gone through further optimisation with the end result of SUDA filing a new patent later this year. We are also working with the University of Western Australia under an Innovation Connections Grant to enhance the buccal permeation of sildenafil and other drugs for oral spray delivery. This project is expected to be completed by May 2017.

It is important to note that over the last 3 years, our global reputation in oro-mucosal drug delivery has been growing as we continue to generate new discussions with potential partners as well as progressing existing discussions along the project cycle. Last year we attended conferences in Europe, US and China and now have ongoing negotiations with over 60 companies.

In April 2016, I was fortunate enough to attend a key meeting with a potential partner for ArTiMist and gained a detailed insight into the rigorous, technical, regulatory and financial due diligence that underpins the commercialisation process. I remain convinced that our business development team headed by our CEO (Stephen Carter) and CBO (Nick Woolf) with continual support from our European-based business development consultant (Lorenza Castellon) is strong, capable, commercially focused and maintain enthusiasm and belief in our projects.

Building sustainable value continues to be our key focus. Finalising licencing agreements continues to take time and effort. Our business strategy and model remains unchanged and together the other members of the Board, I believe that our approach is the right one and that we will generate returns for our shareholders.

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

Michael Stewart
Chairman

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REVIEW OF OPERATIONS

OVERVIEW

SUDA achieved several key milestones in the 2016 financial year and made steady progress in advancing its lead products towards registration and partnerships. Business development activities expanded substantially with an outreach in China where our business development representatives met with over 25 Chinese pharmaceutical companies at the ChinaBIO conference in Suzhou on 18-19 May 2016. Some of these meetings have rapidly advanced to full due diligence and discussion of terms.

The business development team also attended the annual BIO International Convention which is the largest partnering event for the industry. The event was held in San Francisco on 6-9 June 2016. The Company met with over 40 prospective partners, including companies with which SUDA is in advanced term-sheet negotiations.

The conversion rate from our outreach to the industry into active discussions has been higher than expected. We are actively engaged with over 60 companies who are at various stages of evaluation, due diligence or deal negotiation.

We have overcome several product-related challenges, which had initially slowed the pace of licensing discussions. With these matters addressed, we are now better placed to finalise a series of commercial agreements.

Other key milestones during the financial year included:

ii. Acquired minority shareholding in Malaria Research Company (MRC)

The minority shareholder sold its 20% shareholding in MRC to SUDA for $1.2 million. This payment was in full and final settlement of all outstanding liabilities between the two companies.

iii. FDA response to SUD-001

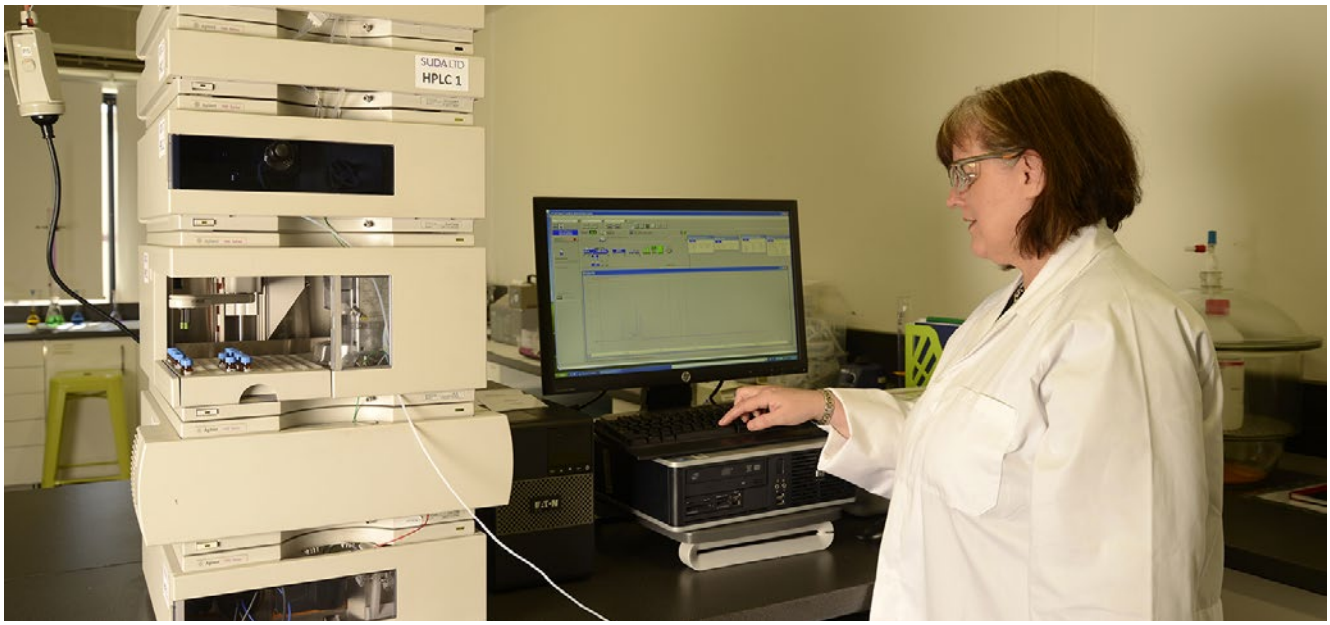
SUDA submitted a Type C meeting briefing package to the FDA in June 2015 containing details of the proposed pivotal study of SUD-001 and other activities intended to support a New Drug Application in the USA. The Company received a written response from the US FDA in August 2015 regarding the development plan for the Company's SUD-001 sumatriptan oral spray for the treatment of migraine.

iv. Patent application for SUD-003 in the USA

The US Patent and Trademark Office has allowed SUDA's first patent application for its sildenafil based products, SUD-003 and SUD-004, in the USA. The patent application (US 14/363,245) is titled: "Oral Spray Formulations and Methods for Administration of Sildenafil". A patent directed to similar subject matter has already been granted in New Zealand and patent applications are pending in other jurisdictions

v. Rolled over 2013 convertible notes

The Company's 2013 convertible note matured on 30 September 2015. At that date, the number of convertible notes on issue was 1,625,000. A total of 920,000 convertible notes were redeemed on 30 September, 705,000 rolled over under amended terms and 1,025,000 new notes were issued.



SUDA'S 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 reduce 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 40% of American adults are evaluated each year with swallowing difficulties. Furthermore, many children have difficulty swallowing tablets.

Selection of an OroMist reformulation

SUDA has extensive know-how and has developed an internal step-wise approach for the selection of drug candidates to be reformulated. Whilst a key decision point is market size and position of the drug in the market we also look at the potential benefits that an oral spray can bring to the target patient population. Once we have identified a product candidate we then look at the formulation process. It is important to realise that each formulation is tailored-made to accommodate the requirements of the potential target patient population. Furthermore, we need to ensure that we look at a number of key parameters due to the different chemical structure and characteristics of the Active Pharmaceutical Ingredients (API) of interest, which include but it is not limited to:

- intrinsic solubility characteristics;
- hydrophilicity/hydrophobicity;
- 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 should not be considered an exhaustive list.

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The Technology

Formulation, to achieve enhanced bioavailability, is the primary challenge for SUDA's OroMist sprays. The Company's suite of technologies addresses this challenge by using a combination of proven proprietary and known technologies to optimise and measure solubility, permeability, stability and palatability. Formulations are developed in a logical fashion beginning with simple FDA/EMEA approved and Generally Regarded As Safe (GRAS) excipients and building to complex solubilisation and/or permeability enhancers only as required. OroMist technology uses a combination of proven and proprietary solvents/co-solvents formulation specific electrolyte addition using GRAS salts or differing mixes of excipients are 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 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 enhance bioavailability and SUDA employs a logical succession of simple to complex systems to aid oro-mucosal 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 ensure that the formulation is palatable to the user whilst maintaining bioavailability.

Iterations of formulations are assessed for physical and chemical stability, relative permeability is assessed using our in-house in-vitro and ex-vivo permeation models and using our taste panel to determine palatability. This rigorous process further ensures 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 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 is currently working with the technical team to further strengthen the intellectual property portfolio as it progresses with its R&D efforts. A list of patents is shown on pages 18 and 19.

BACKGROUND TO 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 as well as acidic and enzymatic degradation within the gastrointestinal (GI) tract, which can cause a relatively lengthy onset time and/or can exacerbate 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 can promote a faster onset of action, and can reduce or 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; and
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.

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

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

4 Catalent, Inc. and Quotient Bioresearch

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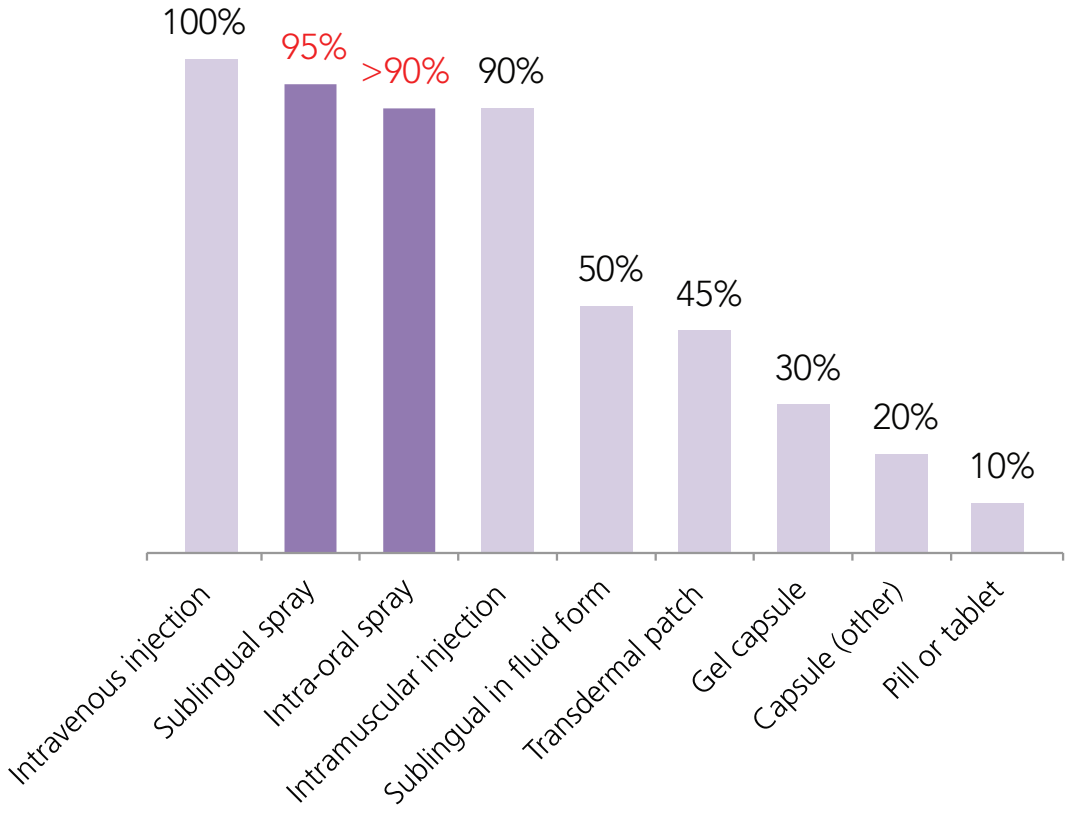
Bioavailability comparison of different drug administration routes



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

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.

PHARMACEUTICAL INDUSTRY: OUTLOOK IN A COST CONSCIOUS WORLD

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. In addition, an increasing number of generics firms are expected to enter the top 50 global pharmaceutical companies.

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 global drug delivery technologies market is poised to reach $198.4 billion by 2017 [5].

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.

Over the last 12 months the global pharmaceutical industry has been characterized by a major debate on drug pricing pressures, tightening regulatory environment and stagnating economies.

The healthcare industry is not immune from cyclical economic ups-and-downs and there is a strong correlation between income and healthcare expenditure. A rise in living standards and ageing society, in both high and low-to-medium income countries, are contributing to an increase in lifestyle-related diseases, ensuring that the industry continue to grow at a faster rate than the global economy. Growth rates in advanced economies are projected to be ranging between low to mid-single digits, whereas in emerging countries pharmaceutical sales are forecast to reach double digits.

Healthcare spending varies with income for two reasons: a) demand rises more than proportionally with income; and b) as countries become richer, households are prepared to forego more discretionary consumption in favour of medical treatments. The level of income influences also the rate of epidemiological change, transitioning from primarily communicable diseases (CDs) to non-communicable diseases (NCDs). Countries in the midst of an epidemiological transition experience much more rapid increases in health spending than economies that have already made the transition.

Policymakers are not likely to consent to large growth forecast in spending and tight limits will continue to be imposed to public and private healthcare providers. This is particularly true when the demand grows faster than the capacity of the industry itself, which causes prices to rise faster than the economy-wide rate of inflation.

Across the developed world, increasingly stringent medical procurement policies require pharmaceuticals companies to use real-world evidence on health outcomes to convince payers and providers to use their drugs. New procurement policies are likely to slow the pace of 'technological adoption', or the rate at which newly introduced drugs and/or devices, are adopted. In turn this is having an effect on the licensing processes and drug approval timelines.

Cross-border licensing agreements are becoming increasingly complex, lengthening completion timelines and requiring to overcome a wide range of cultural, regulatory and legal hurdles that can greatly differ from country-to-country and type of drug. Very importantly, the ability and willingness of the interested party to pay for innovative medicinal products also given the current global economic uncertainties are likely to slow down healthcare spending at least in the medium term.

Among large economies, the biggest increase in health spending is likely to occur in China, which is expected to age like an advanced economy at the same time as per capita income continues to grow at among the fastest rates in the world. The dollar exchange rate, which has been volatile in many countries is also playing a role in the determination of a suitable transfer price. Nevertheless, the rise in healthcare spending is real enough, and the Chinese healthcare sector will see steady improvement over the next few years, with life expectancy rising along with the number of doctors and healthcare structures.

Stronger US dollar and weak economic outlook is hurting the healthcare expenditure in Latin America. Spending slowed sharply in 2014 with this trend continuing in 2015 and 2016 as economies remain under pressure, particularly in Brazil and Colombia. Even so, several governments are trying to improve public healthcare systems as much as their budgets allow.

In Europe, economic pressures and a decline in the euro will continue to limit healthcare spending, despite the health needs of an ageing population. The EMEA region is projected to see the world's slowest growth in healthcare spending up to 2019. Spending in Germany, the United Kingdom and Sweden is expected to fare better than in Greece, Italy, Ireland, Portugal, and Spain, the countries most impacted by the Eurozone crisis.

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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 license to ZolpiMist in all countries excluding North America

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ZolpiMist®: treatment for insomnia

Background

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.

Developments in 2016 financial year

In December 2015, SUDA amended its cross-licence and collaboration agreement with Amherst Pharmaceuticals (Amherst), a US specialty pharmaceutical company based in New Jersey. As a result, SUDA has expanded its license to ZolpiMist to include all countries excluding North America. In the US market, ZolpiMist was successfully relaunched by Magna Pharmaceuticals in March 2016. SUDA is working with a multi-national contract manufacturer regarding the manufacture of ZolpiMist in their facility in Australia. The Company has also embarked on the initial steps towards registration of ZolpiMist by the Australian Therapeutics Good Administration.

Intentions for future years

SUDA will continue negotiations with pharmaceutical companies for territorial out-licensing deals.

SUDA is assessing the requirements for a small study in Europe to support registration of ZolpiMist by the EMEA.

SUDA has employed regulatory consultants to assist in completing the TGA registration in Australia. There are no further studies required for the home market.

SUDA is working with its contract manufacturer regarding the manufacture of ZolpiMist in their Australian facility.

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ArTiMist®: malaria

Background

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.

Developments in the 2016 financial year

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 acquired the minority interest in MRC in August 2015 for $1.2m as full and final settlement of all outstanding liabilities between SUDA and the minority interest shareholder. The Directors believed that this acquisition was an important step towards SUDA's objective to commercialise ArTiMist through a collaboration or trade sale.

As a result of this acquisition, SUDA now owns 100% of the ArTiMist asset with no further payment or royalty obligations to UK-based ProtoPharma Ltd 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.

SUDA published a third peer-reviewed article in August 2015 describing ArTiMist clinical data. The article was 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. The article was titled, 'Efficacy of a novel sublingual spray formulation of artemether in African children with falciparum malaria' and set out the results from SUDA's two clinical efficacy studies of ArTiMist including the Phase III trial.

SUDA's strategic plan was to expand the market for ArTiMist to include its use as an early interventional pre-referral treatment. SUDA and its Clinical Advisory Board finalised the design of the proposed trial of ArTiMist in the pre-referral setting and presented the protocol to the Medicines for Malaria Venture and the World Health Organisation. SUDA, through its UK-based company Suda Europe Ltd, applied for funding through the Horizon 2020 Research and Innovation program (European & Developing Countries Clinical Trials Partnership). Unfortunately, the Company was not successful in its grant application although it had received a very positive response. The Directors of the Company are of the opinion, based on current reports from the UK, that there is a reduction in European grants for UK-based scientists, universities and companies following Brexit and that SUDA Europe Ltd's chance of a successful application were greatly reduced due to the political climate in Europe.

Whilst SUDA is exploring other funding avenues for this study, discussions with our potential partners have identified that there may now be no need to carry out the proposed trial. We are working with our potential partners to determine the most efficient route forward.

Intention for future years

SUDA plans to submit the registration application of ArTiMist with the Australian TGA.

SUDA will continue to assess and review opportunities and funding in regards to the pre-referral trial.

SUDA will continue current discussions with pharmaceutical companies in relation to the sale or licence of ArTiMist.

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SUD-001: migraine headache

Background

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 [6].

Developments in 2016 financial year

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.

SUDA submitted a Type C meeting briefing package to the US Food and Drug Administration (FDA) and, 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. The FDA also requested that SUDA submit a paediatric study plan in migraineurs aged 6-17 years who could benefit from SUDA's first-in-class oral-spray migraine therapy.

SUDA's development strategy is to accelerate the registration of SUD-001 by utilising a PK bracketing 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. Under the acknowledged development plan, SUDA expects to save significant time and capital by avoiding the need to conduct costly efficacy studies in adults prior to registration of SUD-001 in the US.

SUDA also met with the UK's Medicines & Healthcare products Regulatory Agency (MHRA) in April 2016 to discuss the development requirements for European approval. The MHRA suggested that only a small bridging study would be required in addition to the US pivotal PK study. The bridging study would be designed to compare GSK's US-branded reference product, Imitrex®, with the same product used in Europe which is branded by GSK as Imigran®.

The FDA's and MHRA's constructive responses have enabled SUDA to progress discussion with prospective partners in the USA, Europe and elsewhere by quantifying the cost and time to get to market.

Intentions for future years

SUDA plans to initiate the pivotal PK study, pending discussions with prospective partners.

SUDA aims to finalise with the FDA their requirements for paediatric migraine sufferers.

SUDA will continue negotiations with pharmaceutical companies for territorial out-licensing deals.

6 *Decision Resources Group, Inc*

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SUD-002: chemotherapy-induced nausea and vomiting (CINV) and post-operative nausea and vomiting (PONV)

Background

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 estimated to reach US$4.6 billion in 2018 [7].

Developments in 2016 financial year

SUDA received the North American rights back to SUD-002 from Amherst under the amended agreement in December 2015. SUDA is completing stability and compatibility studies with the SUD-002 formulation before requesting a meeting with the FDA to discuss the submission of a New Drug Application. In July 2015, SUDA received a Notice of Grant from the US Patent Office for a new patent covering SUD-002, entitled "Buccal, Polar and Non-Polar Spray Containing Ondansetron". SUDA is completing stability and compatibility studies with the current formulation, prior to requesting a meeting with the FDA to discuss whether the existing clinical data are sufficient for a New Drug Application.

Intentions for future years

SUDA aims to submit a briefing package to the FDA in respect of the development plan for SUD-002 in 2017-2018.

SUDA will continue its discussion with prospective licensees that are interested in SUD-002, pending the outcome of the FDA meeting.

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

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SUD-003: erectile dysfunction

Background

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 [8]. 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 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.

Developments in 2016 financial year

SUDA is continuing the development of a new-generation formulation of SUD-003, which includes flavouring, taste masking and a new and a novel permeation-enhancing technology that is designed to enhance further the bioavailability of the drug. This platform technology has broad application for optimising mucosal permeation of many types of molecules. The data from in-vitro, ex-vivo and in-vivo studies with the new-generation formulation of SUD-003 have been encouraging.

Intentions for future years

SUDA plans to lodge a new patent application for the novel permeation-enhancing technology and publish the data in a peer-reviewed journal.

SUDA aims to prepare a development plan to be discussed with the FDA.

SUDA will continue its discussions with prospective partners after the new patent application is lodged.

8 *Transparency Market Research: erectile dysfunction drugs*

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SUD-004: pulmonary arterial hypertension

Background

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.

The global PAH market is expected to reach US$5.19 billion by 2020. [9].

Developments in 2016 financial year and intentions for future years

The developments and intentions are outlined in SUD-003 above.

SUD-005: pre-procedural anxiety and epileptic seizures

Background

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 [10].

Developments in 2016 financial year and intentions for future years

During the reporting period, SUDA performed limited work on SUD-005 preferring to allocate limited resources to other key projects.

The intention for future years is to reactivate this project.

9 *Transparency Market Research*

10 *GBI Research*

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WESTCOAST SURGICAL & MEDICAL SUPPLIES

Background

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

Developments in 2016 financial year

The financial year was a time of major restructuring for Westcoast with an emphasis on reducing costs and increasing efficiency in light of the hard economic climate in WA. We focused on reducing stock levels, staffing and operating expenses while maintaining our sales and market share. This was achieved and we have managed to successfully balance the downturn in the resources sector by steadily increasing the number of mining clients we service. We had a boost mid-year from an increase in our Ontex WA distributorship contract which provides Westcoast with exclusivity over the WA customer base for the supply of the Ontex incontinent products.

Intention for future years

We are now looking at a steady growth moving into 2017 with more inroads into the resources sector who require the high service levels and dependability that Westcoast provides. In the coming months we are looking to secure overseas manufacturing for several more of our core consumables lines including dressing and procedure packs. This will not only increase our profitability on these lines but we will be in a stronger position to tender for new government contracts as they arise.

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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 manufacturing, sales and marketing operations. The Company aims to partner or out-license its pipeline of oral sprays in all territories.

A typical licensing deal comprises an upfront fee upon signature of the agreement, payments upon the achievement of development and regulatory milestones and royalties on sales. The terms of any licensing agreements can differ markedly depending on the stage of the product development, therapeutic indication and addressed patient population. The management believes that out-licensing will take place once the development has reached such an inflection point to deliver a meaningful therapeutic/clinical value to patients, physicians and healthcare systems.

The Company is also working towards a 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 this product 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-mid 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
USA	Buccal Polar Spray or Capsule	12-Apr-1996	Registered	09/199,380
USA	Buccal, Non-Polar Spray or Capsule	12-Apr-1996	Registered	08/631,175
Europe	Buccal, Polar and Non-Polar Spray Containing Ondansetron	29-Sep-2003	Under Examination	04789153.6
USA	Buccal, Polar and Non-Polar Spray Containing Ondansetron	01-Oct-1997	Registered	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	Pending	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	Pending	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	Under examination	12806256.9
Hong Kong	Oral Spray Formulations and Methods for Administration of Sildenafil	05-Dec-2011	Pending	15100438.3
India	Oral Spray Formulations and Methods for Administration of Sildenafil	05-Dec-2011	Pending	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	Under examination	2014-545981
New Zealand	Oral Spray Formulations and Methods for Administration of Sildenafil	05-Dec-2011	Registered	625922

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Country	Title	Earliest Priority	Status	Appln No.
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	Pending	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	Registered	14/363,245
Canada	Stable Anti-nausea Oral Spray Formulations and Methods	22-Dec-2006	Registered	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	Registered	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	Mexico	MX/a/2013/008621
OAPI	Anti-Malarial Pharmaceutical Composition	25-Oct-2007	Registered	1201000141
Philippines	Anti-Malarial Pharmaceutical Composition	27-Oct-2008	Registered	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

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DIRECTORS' REPORT

From left to right: Joseph Ohayon (Chief Financial Officer, Company Secretary and Director), Michael Stewart (Chairman) and Stephen Carter (Chief Executive Officer and Managing Director).

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DIRECTORS' REPORT

Your Directors present their report together with the financial statements of the Group consisting of SUDA Limited and the entities it controlled during the period for the financial year ended 30 June 2016. 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 $5,871,615 (2015: $5,727,589) in the reporting period, an increase of $144,026.

The consolidated loss for the Consolidated Group was $2,286,813 (2015 loss: $3,378,331) after providing for an income tax benefit. The decrease in the loss was primarily due to a reduction in costs.

The income tax benefit relates to the R&D Tax Incentive claim for the 2015-16 year of $765,785 (2015: $657,510).

SUDA ended the financial year with net cash of $2,448,771 compared to $6,251,947 at 30 June 2015.

Group overview

The significant events during the 2015-16 financial year were:

1. SUDA acquired the minority interest in its subsidiary company Malaria Research Company Pty Ltd for $1.2m.

   SUDA now owns 100% of the ArTiMist project.

2. FDA response to SUD-001

   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 activities intended to support a New Drug Application in the USA. The Company received a written response from the US FDA regarding the development plan for the Company's SUD-001 sumatriptan oral spray for the treatment of migraine.

3. Patent application for SUD-003 in the USA

   The US Patent and Trademark Office has allowed SUDA's first patent application for its sildenafil based products, SUD-003 and SUD-004, in the USA. The patent application (US 14/363,245) is titled: "Oral Spray Formulations and Methods for Administration of Sildenafil". A patent directed to similar subject matter has already been granted in New Zealand and patent applications are pending in other jurisdictions.

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 9 to 15.

Malaria Research Company Pty Ltd (MRC) and ArTiMist®

For an outline of developments of the ArTiMist project, please refer to page 11.

Westcoast Surgical and Medical Supplies Pty Ltd (Westcoast)

For an outline of developments of Westcoast, please refer to page 16.

HC Berlin Pharma AG (in liquidation)

As reported last year, the Company has had discussions with various parties related to HC Berlin Pharma regarding an alleged failed in-kind capital contribution in 2008. During the year the receiver for HC Berlin Pharma issued a Statement of Claim on SUDA for Euros4m plus 5% interest from 25 August 2008. A detailed review by the company's legal advisors in Germany identified that the Statement of Claim contained assertions that were not factual. Based on legal advice, the Directors of SUDA believe that the claim is without significant merit and will be vigorously defended.

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 ISO 9001:2015.

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:

1. Protect its people, communities and the environment and its assets and reputation;

2. Ensure good governance and legal compliance; and

3. 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 licensing risk

If the Company does not obtain the necessary regulatory approvals it may 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 licensing 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 License 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, research and development. 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.

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Significant changes in the state of affairs

The significant events during the 2015-16 financial year were:

1. Acquired minority shareholding in MRC

   The minority shareholder sold its 20% shareholding in MRC to SUDA for $1.2 million. This payment was in full and final settlement of all outstanding liabilities between the two companies.

2. Rolled over 2013 convertible notes

   The Company's 2013 convertible note matured on 30 September 2015. At that date, the number of convertible notes on issue were 1,625,000. A total of 920,000 convertible notes were redeemed on 30 September, 705,000 rolled over under amended terms and new subscribers to the 2015 convertible note totalled 1,025,000.

3. Statement of claim received from HC Berlin Pharma AG

   The Company received a Statement of Claim in relation to a lawsuit between the Company and HC Berlin Pharma AG (in liquidation). The Administrator is seeking a payment of Euros4m with interest of 5% from 25 August 2008. Based on legal advice, the Directors of SUDA believe that the Administrator's Statement of Claim is deficient and factually incorrect.

Significant events after balance date

There were no significant events after balance date.

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 license 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 currently 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.

Company Secretary

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

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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	24,411,890	5,000,000	2,712,820
Stephen Carter	-	-	4,069,231
Joseph Ohayon	-	-	2,750,000

There were no ordinary shares issued by the Company during, or since the end of, the financial year.

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

Expiry date	Exercise price	Details	Number of shares
11 May 2017	7.2 cents	Under an ESOP to M Stewart	5,000,000
			5,000,000

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 Limited (the "Company") for the financial year ended 30 June 2016. 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

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 2012 financial year:

	2012	2013	2014	2015	2016
	$	$	$	$	$
Revenue	4,001,951	4,065,665	8,753,164	5,727,589	5,871,615
Net Loss	(4,437,023)	(1,667,519)	(2,060,850)	(3,378,331)	(2,286,813)
Share Price at year-end	0.013	0.025	0.05	0.028	0.020
Dividends Paid	0.00	0.00	0.00	0.00	0.00
Market capitalisation	7.73m	16.34m	51.31m	31.81m	22.83m

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 30.

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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 (MCo). 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.

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Lapse	A Performance Right will immediately lapse upon the first to occur of: a. its expiry date; b. the performance condition(s) (if any) not being satisfied prior to the end of the performance period(s); c. the transfer or purported transfer of the Performance Right in breach of the Performance Rights Plan rules; d. 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; e. termination of the participant's employment or engagement with the Company or an associated body corporate for cause; or f. 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

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REMUNERATION OF KEY MANAGEMENT PERSONNEL

Key Management Personnel remuneration for the years ended 30 June 2016 and 30 June 2015

	Short-term employee benefits			Other long-term benefits				Equity
	Salary & fees	Bonus	Other	Super-annuation	Share options	Perform-ance Rights	Total	Perform-ance Related
30 June 2016	$	$	$	$	$	$	$	%
Directors								
Michael Stewart	70,000	-	2,000	6,650	-	-	78,650	0.0%
Stephen Carter	255,000	-	-	24,225	-	-	279,225	0.0%
Joseph Ohayon	212,916	-	-	20,227	-	43,983	277,126	15.9%
Executives								
Nick Woolf	158,924	-	-	15,098	-	31,988	206,010	15.5%
John Billingham	120,000	-	-	11,400	-	-	131,400	0.0%

	Short-term employee benefits			Other long-term benefits				Equity
	Salary & fees	Bonus	Other	Super-annuation	Share options	Perform-ance Rights	Total	Perform-ance Related
30 June 2015	$	$	$	$	$	$	$	%
Directors								
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%

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.

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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 2017	75,838	Note (i)

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 share-based payments 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	-	-	-
Executives			
Nick Woolf	-	-	-
John Billingham	-	-	60,852

Performance Rights granted, exercised or lapsed during the year.

There were no Performance Rights granted, exercised or lapsed during the year.

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Shareholdings of Key Management Personnel

30 June 2016	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	23,483,334	-	-	928,556	24,411,890	24,411,890
Stephen Carter	-	-	-	-	-	-
Joseph Ohayon	-	-	-	-	-	-
Executives						
Nick Woolf	-	-	-	-	-	-
John Billingham	1,156,673	-	-	-	1,156,673	1,156,673

30 June 2015	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	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

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.

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Option holdings of Key Management Personnel

30 June 2016	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)	-	-	-	-

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

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Performance Rights of Key Management Personnel

	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 2016	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	-	-	-
Executives								
Nick Woolf	2,000,000	-	-	-	2,000,000	-	-	-
John Billingham	-	-	-	-	-	-	-	-

	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 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	-	-	-	-	-	-	-	-

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 2016	Number	Number	Number	Number	Number	Number
Directors						
Michael Stewart	350,000	-	-	(300,000)	50,000	50,000
Stephen Carter	50,000	-	-	-	50,000	50,000
Joseph Ohayon	20,000	-	-	-	20,000	20,000
Executives						
Nick Woolf	-	-	-	-	-	-
John Billingham	-	-	-	-	-	-

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	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
Executives						
Nick Woolf	-	-	-	-	-	-
John Billingham	-	-	-	-	-	-

Transactions and balances with Key Management Personnel

	Consolidated	
	2016	2015
	$	$
Key Management Personnel		
Mr Michael Stewart – consulting services	2,000	12,000
Mr Michael Stewart – interest on convertible notes	29,172	21,000
Mr Michael Stewart – debtor finance facility	-	50,482
Mr Stephen Carter – interest on convertible notes	5,140	3,000
Mr Joseph Ohayon – interest on convertible notes	2,165	1,200
Balance on Convertible Notes		
Mr Michael Stewart	50,000	350,000
Mr Stephen Carter	50,000	50,000
Mr Joseph Ohayon	20,000	20,000

END OF REMUNERATION REPORT

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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:	**8**	**2**	**2**	**1**
Number of meetings attended:				
Michael Stewart	8	1	2	1
Stephen Carter	8	2	2	1
Joseph Ohayon	8	2	2	1

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 37 and forms part of this directors' report for the year ended 30 June 2016.

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 22 September 2016

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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 2016, 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
22 September 2016

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 2016

	Notes	Consolidated 2016	Consolidated 2015
		$	$
Revenue	2	5,871,615	5,727,589
Other income	2	74,681	136,417
Raw materials and consumables used		(5,044,696)	(5,022,888)
Employee benefits expense		(2,301,495)	(2,469,576)
Depreciation and amortisation expense		(122,363)	(181,244)
Finance costs		(209,556)	(156,200)
Other expenses		(1,320,784)	(2,070,346)
Loss before income tax expense		(3,052,598)	(4,036,248)
Income tax benefit	3	765,785	657,917
Loss for the year		(2,286,813)	(3,378,331)
Total comprehensive loss for the year		(2,286,813)	(3,378,331)
Loss and total comprehensive loss attributable to:			
Owners of the parent		(2,286,813)	(3,367,191)
Non-controlling interests		-	(11,140)
		(2,286,813)	(3,378,331)
Basic loss per share (cents per share)	5	(0.20)	(0.33)
Diluted loss per share (cents per share)	5	(0.20)	(0.33)

The accompanying notes form part of these financial statements

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STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Notes	Consolidated 2016 $	Consolidated 2015 $
Assets			
Current assets			
Cash and cash equivalents	6	2,448,771	6,251,947
Trade and other receivables	7	1,517,120	1,318,621
Inventories	8	1,132,177	1,540,554
Other assets		194,930	233,258
Total current assets		5,292,998	9,344,380
Non-current assets			
Property, plant and equipment	9	271,763	388,617
Intangible assets	10	13,950,723	13,087,746
Total non-current assets		14,222,486	13,476,363
Total assets		19,515,484	22,820,743
Liabilities			
Current liabilities			
Trade and other payables	11	1,179,271	1,795,156
Borrowings	12	1,730,000	1,725,000
Total current liabilities		2,909,271	3,520,156
Total liabilities		2,909,271	3,520,156
Net assets		16,606,213	19,300,587
Equity			
Issued capital	13	55,716,942	55,573,622
Reserves	14	2,108,522	628,255
Accumulated losses		(41,219,251)	(38,932,438)
Equity attributable to owners of the parent		16,606,213	17,269,439
Non-controlling interests		-	2,031,148
Total equity		16,606,213	19,300,587

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Consolidated					
	Issued capital $	Accumulated losses $	Share-based payment reserve $	Minority Interest Acquisition Reserve $	Non-controlling interests $	Total equity $
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
Balance as at 1 July 2015	55,573,622	(38,932,438)	628,255	-	2,031,148	19,300,587
Shares issued during the year	143,320	-	-	-	-	143,320
Share issue costs	-	-	76,000	-	-	76,000
Loss for the year attributable to members of the parent entity	-	-	-	1,404,267	-	1,404,267
Loss for the year attributable to non-controlling interest	-	-	-	-	(2,031,148)	(2,031,148)
Share-based payments	-	(2,286,813)	-	-	-	(2,286,813)
Balance as at 30 June 2016	55,716,942	(41,219,251)	704,255	1,404,267	-	16,606,213

The accompanying notes form part of these financial statements

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

		Consolidated	
		2016	2015
	Notes	$	$
Cash flows from operating activities			
Receipts from customers		5,889,989	6,298,415
Receipts for R&D tax incentive		687,626	188,290
Payments to suppliers and employees		(8,338,004)	(9,630,256)
Interest received		109,651	102,774
Finance costs		(151,365)	(113,630)
Net cash outflows from operating activities	6	(1,802,103)	(3,154,407)
Cash flows from investing activities			
Payments for property, plant and equipment		(65,328)	(282,391)
Payments for intangible assets		(1,396,273)	(995,823)
Payments for equity investments		(647,077)	-
Proceeds from sale or property, plant and equipment		38,605	5,455
Net cash outflows from investing activities		(2,070,073)	(1,272,759)
Cash flows from financing activities			
Proceeds from issue of shares		-	6,986,164
Payments for share issue costs		-	(296,321)
Proceeds from borrowings		1,025,000	-
Repayment of borrowings		(920,000)	-
Payments for capital raising costs		(36,000)	-
Net cash inflows from financing activities		69,000	6,689,843
Net (decrease)/increase in cash and cash equivalents		(3,803,176)	2,262,677
Cash and cash equivalents at the beginning of the year		6,251,947	3,990,397
Effect of exchange rate fluctuations on cash held		-	(1,127)
Cash and cash equivalents at the end of the year	6	2,448,771	6,251,947

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 Limited 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 2016

In the year ended 30 June 2016, 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 Group 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 2016. 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 Group and, therefore, no material change is necessary to Group accounting policies.

c. Statement of compliance

The financial report was authorised for issue on 22 September 2016

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 Limited and entities controlled by the Group 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.

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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 Group's current projects.

The consolidated entity has reported a net loss from operations for the period of $2,286,813 (2015: $3,378,331) and a cash outflow from operating activities of $1,802,103 (2015: $3,154,407). The directors are of the opinion that the Group is a going concern as the cash balance as at 30 June 2016 was $2,448,771 (2015: $6,251,947) and, based on prior experience, the Directors are confident that they can raise additional capital if required.

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 Limited.

h. Foreign currency translation

Both the functional and presentation currency of SUDA Limited 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

k. Borrowing costs

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.

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.

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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 Limited 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 Limited 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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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

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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.

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

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

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- 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 Limited (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 Limited, 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.

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NOTE 2: REVENUE AND EXPENSES

Revenue	Consolidated	
	2016	2015
	$	$
Sales revenue		
Sale of goods	5,785,802	5,624,815
Other revenue – interest received	85,813	102,774
	5,871,615	5,727,589
Other income		
Gain on disposal of property, plant and equipment	78	5,455
Other income	74,603	130,962
	74,681	136,417
Other expenses		
Foreign exchange losses (net)	1,455	38,625
Interest expense	209,556	156,200
Write down of inventory to net realisable value	27,794	182,615
Write-off of obsolete stock	397,475	130,697
Depreciation of non-current assets	122,363	181,244
Operating lease rental expense	14,751	9,806
Share-based payment expense	76,000	58,297
Legal fees (net of recoveries)	152,663	464,707
Professional fees	135,248	144,641

NOTE 3: INCOME TAX

Income tax recognised in profit or loss

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective rate at 30% (prior year: 30%) and the reported tax expense in profit or loss are as follows:

	Consolidated	
	2016	2015
	$	$
Current tax benefit	744,064	657,917
Under provision in respect of prior years	21,721	-
Total tax benefit	765,785	657,917

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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	
	2016	2015
	$	$
Net loss for the period	(3,052,597)	(4,036,249)
Prima Facie tax (benefit) on loss from ordinary activities before income tax at 30%	(915,779)	(1,210,875)
Add Tax effect of:		
Non-deductible expense		
Options Expense	22,800	17,489
R&D Expenditure	496,043	433,333
Other	27,986	3,973
Non-assessable items	-	(31,004)
Research and development tax offset	(744,064)	(650,000)
Tax effect of temporary differences and tax losses not brought to account	368,950	787,084
Unders/(overs) – R&D tax offset	(21,721)	(7,917)
Income tax benefit	(765,785)	(657,917)

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	8,731,189	8,228,425
• Unrecognised deferred tax asset – capital losses	1,677,659	1,677,659
• Unrecognised deferred tax asset – other	94,770	91,240
• Unrecognised deferred tax equity	95,527	136,720
• Unrecognised deferred tax liabilities	(335,539)	(160,311)
Net unrecognised deferred tax asset	10,263,606	9,973,733

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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:

1. Suda: the pharmaceutical development segments and performs research and development to create new human pharmaceutical products by combining proven drugs with innovated, patented, delivery technologies.
2. Westcoast Surgical & Medical Supplies (Westcoast): sales and logistics operation for medical devices and consumables.
3. Malaria Research Company (MRC): pharmaceutical development segment for the treatment of malaria, i.e. ArTiMist project.

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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 2016 and 30 June 2015.

	Suda	Westcoast	MRC	Other	Consolidated
	$	$	$	$	$
30 June 2016					
Revenue					
Sales to external customers	-	5,785,802	-	-	5,785,802
Inter-segment sales (i)	425,454		-	-	425,454
	425,454	5,785,802	-	-	6,211,256
Inter-segment sales eliminated					(425,454)
Total segment revenue					5,785,802
Segment net operating profit (loss) after tax	(1,733,548)	(416,961)	12,017	(148,321)	(2,286,813)
Interest revenue	85,813	-	-	-	85,813
Interest expense	(205,302)	(4,254)	-	-	(209,556)
Depreciation and amortisation	(88,556)	(33,807)	-	-	(122,363)
Segment assets	11,197,493	1,771,344	10,974,311	(362,177)	23,580,971
Inter-segment eliminations					(4,065,487)
Total assets					19,515,484
Capital expenditure	49,801	2,500	-	-	52,301
Other assets	668,603	-	336,859	(142,485)	862,977
Segment liabilities	2,218,267	3,168,537	940,877	-	6,327,681
Inter-segment eliminations					(3,418,410)
Total liabilities					2,909,271
Cash flow information					
Net cash flow from operating activities	(1,745,131)	(146,728)	89,756	-	(1,802,103)
Net cash flow from investing activities	(1,112,218)	11,256	(969,111)	-	(2,070,073)
Net cash flow from financing activities	69,000	-	-	-	69,000

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

NOTE 4: SEGMENT REPORTING (CONTINUED)

	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

	Suda	Westcoast	MRC	Other	Consolidated
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

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

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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	
	2016	2015
	$	$
Australia	5,785,802	5,624,815
Total revenue	5,785,802	5,624,815

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% (2015: 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 19% of external revenue (2015: 20%). The next most significant client accounts for 10% (2015: 12%) of external revenue.

NOTE 5: EARNINGS PER SHARE

Basic earnings per share

	Consolidated	
	2016	2015
	Cents per share	Cents per share
Total basic earnings per share	(0.20)	(0.33)
Diluted earnings per share	(0.20)	(0.33)

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NOTE 5: EARNINGS PER SHARE (CONTINUED)

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	
	2016	2015
	$	$
Earnings	(2,286,813)	(3,378,331)
	Number	Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,139,508,407	1,015,727,042
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,139,508,407	1,015,727,042

NOTE 6: CASH AND CASH EQUIVALENTS

	Consolidated	
	2016	2015
	$	$
Cash at bank and on hand	498,771	751,947
Short-term deposits	1,950,000	5,500,000
	2,448,771	6,251,947

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 seven 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	2,448,771	6,251,947

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

	Consolidated	
	2016	2015
	$	$
Loss for the year	(2,286,813)	(3,378,331)
Share-based payment expense	119,320	58,297
Depreciation	122,363	181,244
Write-off of obsolete stock / inventory write down	425,269	313,312
Net (gain)/loss on disposal of property, plant and equipment	30,761	(5,455)
Change in net assets and liabilities		
(Increase)/decrease in assets:		
Trade and other receivables	(211,374)	(394,913)
Prepayments	38,328	543,015
Inventories	(34,622)	176,374
Increase/(decrease) in liabilities:		
Trade and other payables	(31,159)	(662,240)
Provisions	25,824	14,290
Net cash from operating activities	(1,802,103)	(3,154,407)

NOTE 7: TRADE AND OTHER RECEIVABLES

	Consolidated	
	2016	2015
	$	$
Trade receivables (i)	791,882	687,447
Allowance for impairment	(18,826)	(18,826)
	773,056	668,621
R&D tax incentive receivable	744,064	650,000
	1,517,120	1,318,621

(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.

	Consolidated	
	2016	2015
Ageing of past due but not impaired	$	$
30 – 60 days	41,913	114,167
60 – 90 days	1,304	17,414
90 – 120 days	27,908	-
Total	71,125	135,581

NOTE 7: TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the allowance for doubtful debts

	Consolidated	
	2016	2015
	$	$
Balance at the beginning and 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	
	2016	2015
	$	$
Finished goods – at cost/net realisable value	1,004,377	1,301,140
Raw materials – at cost/net realisable value	127,800	239,414
	1,132,177	1,540,554

Inventory write-downs and obsolete stock charged to cost of sales totalled $425,269 (2015: $313,055).

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	Plant and equipment	Total
Gross carrying amount	$	$
Balance at 1 July 2014	435,926	435,926
Additions	257,422	257,422
Disposals	(28,672)	(28,672)
Balance at 1 July 2015	664,676	664,676
Additions	52,301	52,301
Disposals	(100,374)	(100,374)
Balance at 30 June 2016	616,603	616,603

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	Consolidated	
	Plant and equipment	Total
	$	$
Accumulated depreciation and impairment		
Balance at 1 July 2014	123,487	123,487
Depreciation expense	181,244	181,244
Disposals	(28,672)	(28,672)
Balance at 1 July 2015	276,059	276,059
Depreciation expense	122,363	122,363
Disposals	(53,582)	(53,582)
Balance at 30 June 2016	344,840	344,840
Carrying value: 30 June 2016	271,763	271,763
Carrying value: 30 June 2015	388,617	388,617

	Consolidated	
	2016	2015
	$	$
Cost	616,603	664,676
Accumulated depreciation and impairment	(344,840)	(276,059)
Net carrying amount	271,763	388,617

Plant and equipment with a carrying amount of $271,763 (2015: $388,617) for the Group and $219,040 (2015: $265,709) 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 2014	12,549,453	12,549,453
Additions	538,293	538,293
Balance at 30 June 2015	13,087,746	13,087,746
Balance at 1 July 2015	13,087,746	13,087,746
Additions	862,977	862,977
Balance at 30 June 2016	13,950,723	13,950,723

No impairment loss was recognised for continuing operations in the 2016 financial year.

NOTE 11: TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated	
	2016	2015
	$	$
Trade payables (i)	993,694	1,577,754
Sundry payables and accrued expenses	144,332	191,027
Interest payable (ii)	41,245	26,375
	1,179,271	1,795,156

(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	
	2016	2015
Current	$	$
Secured		
Convertible Notes	1,730,000	1,725,000
Total secured borrowings	1,730,000	1,725,000

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. Issue price at $1.00 each

iii. Interest rate at 8% paid semi-annually

iv. Maturity date is 31 March 2017

v. Security is a general security interest

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

The company's 2013 convertible note matured on 30 September 2015. At that date, the number of convertible notes on issue were 1,625,000. A total of 920,000 convertible notes were redeemed on 30 September, 705,000 rolled over under the terms outlined above and new subscribers to the 2015 convertible note totalled 1,025,000.

Conversion may occur at any time between 1 October 2015 and 31 March 2017. If the notes have not been converted, they will be redeemed on 31 March 2017 at $1.05. Interest of 8% is paid 6-monthly in arrears up until settlement date.

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Assets pledged as security

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

	Consolidated	
	2016	2015
Current	$	$
Floating charge		
Receivables	773,056	668,621
Inventories	1,132,177	1,540,554
Total current assets pledged as security	1,905,233	2,209,175
Non-Current		
Property, plant and equipment	271,763	388,617
Intangible assets	13,950,723	13,087,746
Total non-current assets pledged as security	14,222,486	13,476,363
Total assets pledged as security	16,127,719	15,685,538

NOTE 13: ISSUED CAPITAL

	Consolidated	
	2016	2015
	$	$
1,141,272,286 (2015: 1,136,010,587) fully paid ordinary shares	55,716,942	55,573,622

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

	2016		2015	
	Number	$	Number	$
Balance at beginning of year	1,136,010,587	55,573,622	950,262,913	48,944,557
Shares issued during the year:			185,747,674	6,629,065
Settlement of premium on redemption of convertible notes	1,049,500	26,500		
Conversion of convertible notes	3,339,880	100,000		
Settlement of interest on convertible notes	752,319	16,820		
Employee Share Scheme	120,000	-		
Balance at end of year	1,141,272,286	55,716,942	1,136,010,587	55,573,622

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	140,367	Subject to performance conditions

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

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

	2016		2015	
		Weighted average exercise price		Weighted average exercise price
	Number	$	Number	$
Outstanding at the beginning of year	19,000,000	0.056	26,500,000	0.054
Granted during the year	-	-	-	-
Exercised during the year	-	-	(2,500,000)	0.050
Expired during the year	(14,000,000)	0.050	(5,000,000)	0.050
Outstanding at the end of year	5,000,000	0.072	19,000,000	0.056
Exercisable at the end of year	-	-	14,000,000	0.050

The share options outstanding at the end of the year had an exercise price of $0.072 (2015: $0.056) and a weighted average remaining contractual life of 315 days (2015: 280 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 2016	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 2016 is $675,727 (2015: $869,789).

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 2015.

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.

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NOTE 16: FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments

		Consolidated	
		2016	2015
	Note	$	$
Financial assets			
Cash and cash equivalents	6	2,448,771	6,251,947
Loans and receivables	7	773,056	668,621
		3,221,827	6,920,568
Financial liabilities			
Trade and other payables	11	1,179,271	1,795,156
Borrowings	12	1,730,000	1,725,000
		2,909,271	3,520,156

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.

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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	
	2016	2015	2016	2015
	$	$	$	$
GBP	34,924	649,709	3,205	3,565
EUR	12,718	-	528	-
USD	36,922	55,383	46,968	64,810
	84,564	705,092	50,701	68,375

Foreign currency sensitivity analysis

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

The following table details the Group's sensitivity to a 5% increase and decrease in the Australian dollar against the relevant foreign currencies. 5% 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 5% 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 2016	$	$
+/- 2% interest rates	(34,600)	34,600
+/- 5% in AUD / GBP	(1,746)	1,746
+/- 5% in AUD / EUR	(636)	636
+/- 5% in AUD / USD	(1,846)	1,846
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

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

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.

NOTE 16: FINANCIAL INSTRUMENTS (CONTINUED)

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 change in the consumer price index (CPI). 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:

	2016	2015
	$	$
Within one year	167,680	175,640
After one year but not more than five years	524,140	21,375
	691,820	197,015

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.

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HC Berlin Pharma

The Company received a Statement of Claim in relation to a lawsuit between the Company and HC Berlin Pharma AG (in liquidation) for Euro 4,000,000 ($5,970,000) with 5% interest from 25 August 2008. Based on legal advice, the Directors of SUDA are confident that the Administrator's statement of claim is deficient and factually incorrect and, as such, has little chance of success.

Critical Health Products Pty Ltd

The Company received a statement of claim from Critical Health in respect of a breach of contract with the Company's subsidiary company, Westcoast. The Company will make a counter-claim against Critical Health. The Directors of SUDA are confident that there will be a satisfactory resolution to this matter and there will be no detrimental impact for shareholders.

Guarantees

SUDA Limited has the following guarantee at 30 June 2016:

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 31 March 2017.

At the end of the reporting period, the balance on the convertible notes was $1,730,000 (refer to Note 12).

NOTE 18: RELATED PARTY DISCLOSURE

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

	Country of incorporation	% Equity interest	
		2016	2015
Westcoast Surgical and Medical Supplies Pty Ltd	Australia	100%	100%
Malaria Research Company Pty Ltd	Australia	100%	80%
Eastland CN Nominees Pty Ltd	Australia	100%	100%
Suda Europe Ltd	United Kingdom	100%	-

Suda Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Suda Limited acquired the minority interest in Malaria Research Company Pty Ltd on 26 August 2015.

Suda Europe Ltd was established on 24 August 2015.

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.

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NOTE 19: PARENT ENTITY DISCLOSURES

Financial position

	2016	2015
	$	$
Assets		
Current assets	3,457,075	7,064,863
Non-current assets	7,740,418	6,174,319
Total assets	11,197,493	13,239,182
Liabilities		
Current liabilities	2,218,267	2,746,295
Total liabilities	2,218,267	2,746,295
Equity		
Issued capital	55,716,942	55,573,622
Reserves		
Share-based payments	704,255	628,255
Retained earnings	(47,441,971)	(45,708,990)
Total equity	8,979,226	10,492,887

Financial performance

Total loss and total comprehensive loss	(1,733,548)	(1,904,045)

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

There were no events after the reporting period.

NOTE 21: AUDITOR'S REMUNERATION

The auditor of Suda Limited is HLB Mann Judd.

	Consolidated	
	2016	2015
	$	$
Auditor of the parent entity		
Audit or review of the financial statements	54,000	52,250
	54,000	52,250

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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	
	2016	2015
	$	$
Key Management Personnel		
Mr Michael Stewart – consulting services	2,000	12,000
Mr Michael Stewart – interest on convertible notes	29,172	21,000
Mr Michael Stewart – debtor finance facility	-	50,482
Mr Stephen Carter – interest on convertible notes	5,140	3,000
Mr Joseph Ohayon – interest on convertible notes	2,165	1,200
Balance on Convertible Notes		
Mr Michael Stewart	50,000	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	818,840	823,473
Other long-term benefits	75,971	58,297
Post-employment benefits	77,600	77,090
	972,411	958,860

NOTE 22: DIRECTORS AND EXECUTIVES DISCLOSURES (CONTINUED)

1. In the opinion of the directors of SUDA Limited (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 2016 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 2016.

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

Stephen Carter
Director

_____

Dated this 22 day of September 2016

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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 2016, 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, of the Group comprising 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 gives a true and fair view and 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*, the consolidated financial statements comply 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 about 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 Group's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's and its controlled entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

Independence

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

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

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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 Group's financial position as at 30 June 2016 and 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 2016. 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.

Opinion

In our opinion, the Remuneration Report of Suda Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd
Chartered Accountants

N G Neill
Partner

Perth, Western Australia
22 September 2016

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ADDITIONAL SECURITIES EXCHANGE INFORMATION

The following information is current as at 5 September 2016:

1. Shareholding

a. Distribution of Shareholders

Category (size of holding)	Number Ordinary
1 – 1,000	75
1,001 – 5,000	154
5,001 – 10,000	28
10,001 – 100,000	1,219
100,001 – and over	1,047
	2,779

b. The number of shareholdings held in less than marketable parcels is 927.

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	70,702,534

As announced on 24 November 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	67,810,173	5.94
2	CS Fourth Nominees Pty Ltd	49,171,293	4.31
3	UBS Nominees Pty Ltd	35,799,960	3.14
4	Kamala Holdings Pty Ltd	24,411,890	2.14
5	HSBC Custody Nominees	22,134,145	1.94
6	J P Morgan Nominees Australia Limited	18,251,526	1.60
7	Mr P N Dunn	14,000,000	1.23
8	Ms J Lien	13,288,700	1.16
9	Ms G L Gan	12,100,000	1.06
10	Bamber Investments Pty Ltd	20,177,364	1.77
11	Onicas Investments Pty Ltd	11,089,187	0.97
12	Mr T P McGellin & Ms T M Karal	9,903,675	0.87
13	Dr Michael Wunsch	9,000,000	0.79
14	Mrs L Lien	8,294,750	0.73
15	Mr RC Freier and Mr MD Freier	7,936,092	0.70
16	W Paul Super Pty Ltd	7,645,000	0.67
17	Peto Pty Ltd	7,440,000	0.65
18	M & S Brooke Pty Ltd	7,176,000	0.63
19	Termco Pty Ltd	7,000,000	0.61
20	Somerset Corporation Pty Ltd	6,861,462	0.60

ADDITIONAL SECURITIES EXCHANGE INFORMATION (CONTINUED)

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

1,730,000 convertible notes are on issue and are held by: Foskin Pty Ltd, J&L Stevenson, Termco Pty Ltd, 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, Continental Global Investments Ltd, R Parry, Westrange Pty Ltd, Banlan Pty Ltd, Bamber Investments Pty Ltd, Botsis Holdings Pty Ltd, Fano Pty Ltd, Arrisan Pty Ltd, J Richardson, Bill Brooks Pty Ltd, B Alimonti Kamala Holdings Pty Ltd, Pearlcove Consulting Group Pty Ltd and J Ohayon

Options over Unissued Shares

A total of 5,000,000 options are on issue to Michael Stewart under the Executive Long-Term Incentive Plan.

Performance Rights

A total of 11,282,051 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 25 November 2016 at The Boulevard Centre, 99 The Boulevard, Floreat, WA.

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SUDA LTD

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