# Solagran Limited ABN 48 002 592 396
# APPENDIX 4E

Results for announcement to the market

Preliminary final report for the year ended 30 June 2010. The previous corresponding period was the 12 months to 30 June 2009

1. Revenue from operations up 129 % to $1,500,393.

2. Loss from operations after tax attributable to members down 60% to $4,004,996.

3. Net loss for the period attributable to members down 60% to $4,004,996.

4. No dividend is applicable..

## Commentary in relation to the 2010 results.

Solagran commenced selling its registered pharmaceutical product Ropren in Russia as a hepato-protector from late February 2010. Sales of Ropren continue to gain momentum as regional distributors have commenced ordering the product in conjunction with direct orders from hospitals and the pharmacy network.

Solagran continues to expand distribution of Bioeffective A in Australia predominantly via the Naturopath and Practitioner distribution channel.

Commercial distribution of Siberian Red (Bioeffective I) in Australia commenced in April 2010. Distribution of the product in Australia is handled by Intrinsic Freedom Pty Limited.

## Significant Post Balance Date Events.

On 20 July 2010, Solagran announced to the market that it had acquired the remaining 15% of SibEX LLC making it a wholly owned subsidiary of the Group.

Solagran lodged its application to have Bioeffective A registered as a NDI (New Dietary Ingredient) in the United States.

Solagran Limited and BioProspect Limited are currently involved in a dispute relating to the prospective parties rights and obligations pertaining to the Development Agreement entered into by the companies in August 2007. The matter is being dealt with Solagran’s legal advisors and we will provide a further update to the market when appropriate.

**Consolidated Income Statement for the year ended 30 June 2010**

| | Note | Consolidated 2010 $ | Consolidated 2009 $ |
|---|---|---|---|
| **Revenue from continuing operations** | 2 | 1,500,393 | 656,055 |
| **Other Income** | 2 | 1,371,202 | 23,376 |
| Cost of goods sold | | 1,457,093 | 527,407 |
| Employee benefits expenses | | 890,729 | 781,805 |
| Depreciation expenses | 3 | 493,553 | 484,727 |
| Impairment Expense | 3 | 357,178 | 2,645,171 |
| Inventory Writedown | | - | 386,475 |
| Share Based Payment Expense | | - | 2,415,219 |
| Consultancy and contract expenses | | 164,106 | 495,399 |
| Administration expenses | | 740,413 | 1,078,705 |
| Listing and share registry fees | | 146,881 | 138,912 |
| Operating Expenses Siberian Production Facility | | 1,019,456 | 1,231,159 |
| Marketing expenses | | 363,829 | 349,190 |
| Manufacturing expenses | | 49,698 | 146,734 |
| Profit /loss on foreign exchange movements | | 6,884 | (21,974) |
| Clinical trial costs | 3 | 853,424 | 917,554 |
| Other expenses | | 333,347 | 127,243 |
| **Profit/(loss) before income tax expense** | | (4,004,996) | (11,024,293) |
| Income tax benefit | | - | 648,789 |
| **Profit / (loss) from continuing operations** | | (4,004,996) | (10,375,504) |
| **Profit / (loss) for the financial year** | | (4,004,996) | (10,375,504) |
| **Profit / (loss) attributable to minority interest** | | - | (276,610) |
| **Profit / (loss) to the members of Solagran Limited** | | (4,004,996) | (10,098,894) |

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

## Consolidated Balance Sheet as at 30 June 2010

| | Note | Consolidated 2010 $ | Consolidated 2009 $ |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and Cash Equivalents | **4** | 582,509 | 520,037 |
| Trade and Other Receivables | **5** | 2,070,517 | 1,481,003 |
| Inventories | **6** | 4,695,499 | 2,719,108 |
| **Total Current Assets** | | **7,348,525** | **4,720,148** |
| **Non-Current Assets** | | | |
| Available-for-Sale Financial Assets | **7** | 712,908 | 549,764 |
| Property, Plant and Equipment | **8** | 6,457,994 | 5,501,518 |
| Intellectual Property & Intangible Assets | **9** | 8,818,224 | 8,639,824 |
| **Total Non-Current Assets** | | **15,989,126** | **14,691,107** |
| **TOTAL ASSETS** | | **23,337,651** | **19,411,255** |
| **Current Liabilities** | | | |
| Trade and Other Payables | **10** | 694,146 | 1,389,861 |
| Borrowings | **11** | - | 190,000 |
| **Total Current Liabilities** | | **694,146** | **1,579,861** |
| **Non-Current Liabilities** | | | |
| Borrowings | **12** | 1,638,149 | 95,880 |
| Income Received In Advance | **12** | 145,763 | 157,040 |
| **Total Non-Current Liabilities** | | **1,783,912** | **252,920** |
| **TOTAL LIABILITIES** | | **2,478,059** | **1,832,781** |
| **NET ASSETS** | | **20,859,593** | **17,578,474** |
| Contributed Equity | **13** | 72,853,217 | 64,938,298 |
| Reserves | **14** | 2,310,774 | 3,044,663 |
| Accumulated Losses | **15** | (54,304,398) | (50,404,487) |
| **TOTAL EQUITY** | | **20,859,593** | **17,578,474** |

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

## Consolidated Cashflow Statement for the year ended 30 June 2010

| | Consolidated Entity 2010 $ | 2009 $ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from customers | 1,248,179 | 1,120,733 |
| Payments to suppliers and employees | (8,461,409) | (6,904,999) |
| Interest received | 49,220 | 21,974 |
| Income tax paid | - | 23,376 |
| Other Revenue | 546,000 | - |
| **Net cash (outflow) from operating activities** | **(6,618,009)** | **(5,738,916)** |
| **Cash flows from investing activities** | | |
| Interest received | - | 80,377 |
| Payment for investments | - | - |
| Loans to other entities | (669,145) | - |
| Net of cash acquired | - | - |
| Increase in funding to subsidiary | - | - |
| Payments for property, plant and equipment | (1,052,868) | (960,205) |
| Payments for intangible assets | (679,569) | (238,037) |
| **Net cash (outflow) from investing activities** | **(2,401,582)** | **(1,117,865)** |
| **Cashflows from financing activities** | | |
| Proceeds from the issue of shares | 7,738,000 | 3,552,079 |
| Proceeds from Borrowings | 1,554,064 | - |
| Repayment of borrowings | (210,000) | (584,092) |
| **Net cash inflow from financing activities** | **9,082,064** | **2,967,987** |
| **Net increase / (decrease) in cash and cash equivalents** | 62,472 | (3,888,794) |
| Cash and cash equivalents at the beginning of the financial year | 520,037 | 4,660,068 |
| Impact of FX | - | (251,237) |
| **Cash and cash equivalents at the end of the financial year.** | **582,509** | **520,037** |

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

## Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### a) Basis of preparation

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

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Solagran Limited comply with International Financial Reporting Standards (IFRS).

Historical cost convention

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

**Critical accounting estimates**

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

### b) Principles of consolidation

*(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Solagran Limited as at 30 June 2010 and the results of all subsidiaries for the year then ended. Solagran Limited and its subsidiaries together are referred to in this financial report as the Group or consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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

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

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

**Note 1. Summary of significant accounting policies (continued)**

**c) Income tax**

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

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

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

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

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

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

Tax consolidation legislation

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

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

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

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

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

**d) Acquisition of assets**

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

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

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

**e) Impairment of assets**

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

**f) Property, Plant & equipment**

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

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

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

Furniture, fittings and equipment 5 years

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

**g) Intangible assets**

*(i) Goodwill*

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

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

*(ii) Patents and trademarks*

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

*h) Cash and cash equivalents*

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

**i) Employee benefits**

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

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

*(ii) Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage

and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, and closely as possible, the estimated future cash outflows.

**j) Trade and other payables**

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

**k) Trade Receivables**

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

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

**l) Revenue Recognition**

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

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

**m) Earnings per share**

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

**n) Inventories**

*Raw materials and stores, work in progress and finished goods*

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

**o) Segment Reporting**

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

**p) Contributed Equity**

Ordinary shares are classified as equity.

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

**(q) Dividends**

A provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

**(r) Goods and services tax**

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

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

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

**(s) Investments and other financial assets**

*Loans and receivables*

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

**(t) Fair value estimation**

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

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

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

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

**(u) Borrowings**

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

## Note 2. Revenue

| | Consolidated | |
|---|---|---|
| | **2010** | **2009** |
| | **$** | **$** |
| From continuing operations | | |
| Sale of Goods | 1,451,241 | 477,935 |
| Sundry Income | 49,152 | 178,120 |
| **Total revenue from continuing operations** | **1,500,393** | **656,055** |
| Royalty | 585,000 | |
| Research and Development Grant | 271,566 | - |
| Other Revenue | 514,635 | - |
| **Total other income** | 1,371,202 | - |
| **Total Revenue** | **2,871,595** | **656,055** |

Royalty income represents the issue to Solagran Limited of the second allotment of BioProspect Ltd shares (BPO) issued in accordance with the Development Agreement entered into in August 2007.

Other revenue includes legal fees recovered during the year and a partial release of provisions previously carried on the balance sheet by SibEX LLC

## Note 3. (Loss) from ordinary activities includes .

| | Consolidated | |
|---|---|---|
| | **2010** | **2009** |
| | **$** | **$** |
| Depreciation | 493,553 | 484,727 |
| Clinical trial costs(R&D) | 853,424 | 917,554 |
| Impairment expense | 357,178 | 2,645,171 |

## Note 4. Current Assets - Cash and Cash Equivalents

| | Consolidated | |
|---|---|---|
| | **2010** | **2009** |
| | **$** | **$** |
| Cash and cash equivalents | 582,509 | 520,037 |

## Note 5. Current Assets - Trade and Other Receivables

| | Consolidated | |
|---|---|---|
| | **2010** | **2009** |
| | **$** | **$** |
| Trade receivables | 534,227 | 553,980 |
| Other receivables | 1,492,585 | 890,727 |
| Prepayments | 31,724 | - |
| Tax refunds | 11,982 | 36,297 |
| | **2,070,517** | **1,481,003** |

## Note 6. Current Assets - Inventories

| | Consolidated | |
|---|---|---|
| | **2010** | **2009** |
| | **$** | **$** |
| Raw materials | 1,135,835 | 1,259,617 |
| WIP | 904 | 1,455,201 |
| Finished goods | 3,558,760 | 4,290 |
| | **4,695,499** | **2,719,108** |

## Note 7. Available for Sale Financial Instruments

| | Consolidated | |
|---|---|---|
| | **2010** | **2009** |
| | **$** | **$** |
| Investment in BioProspect - listed | 712,908 | 549,764 |

Solagran holds 54,839,041 ordinary shares in BioProspect Limited.

## Note 8. Non-Current Assets - Property, Plant and Equipment

| | Consolidated | |
|---|---|---|
| | **2010** | **2009** |
| | **$** | **$** |
| Plant, furniture and office equipment - at cost | 7,907,766 | 6,420,865 |
| Less: Accumulated depreciation | (1,470,533) | (922,409) |
| | 6,437,233 | 5,498,456 |
| Research and development equipment - at cost | 3,062 | 3,062 |
| Leasehold Improvements | 17,700 | - |
| **Total Property, Plant and Equipment** | **6,457,994** | **5,501,518** |

### Reconciliations

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

| | Plant, furniture and office equipment | |
|---|---|---|
| | **2010** | **2009** |
| | **$** | **$** |
| Carrying amount at beginning of the financial year | 5,498,456 | 5,022,978 |
| Additions | 1,432,330 | 960,205 |
| Depreciation Expense | (493,553) | (484,727) |
| **Carrying amount at the end of the financial year** | **6,437,233** | **5,498,456** |

| | Research and Development Equipment | |
|---|---|---|
| | **2010** | **2009** |
| | **$** | **$** |
| Carrying amount at beginning of the year | 3,062 | 3,062 |
| Additions | | - |
| **Carrying amount at the end of the year** | **3,062** | **3,062** |

## Note 9. Non-Current Assets - Intellectual Property and Intangibles

| | Consolidated | |
|---|---|---|
| | 2010 | 2009 |
| | $ | $ |
| Goodwill | 3,062,694 | 3,062,694 |
| Patents and trademarks - at cost | 7,755,530 | 7,577,130 |
| Less Impairment | (2,000,000) | (2,000,000) |
| **Total Intellectual Property and Intangibles** | **8,818,224** | **8,639,824** |

### Reconciliations

| | Goodwill | |
|---|---|---|
| | 2010 | 2009 |
| | $ | $ |
| Carrying amount at the beginning of financial year | 3,062,694 | 3,032,828 |
| Additions | - | 29,866 |
| **Carrying amount at end of financial year** | **3,062,694** | **3,062,694** |

| | Patents and Trademarks | |
|---|---|---|
| | 2010 | 2009 |
| | $ | $ |
| Carrying amount at the beginning of financial year | 5,577,130 | 7,576,714 |
| Additions | 178,400 | 416 |
| Less Impairment | - | (2,000,000) |
| **Carrying amount at end of financial year** | **5,755,530** | **5,577,130** |

## Note 10. Current Liabilities - Trade Payables and Accruals

| | Consolidated | |
|---|---|---|
| | 2010 | 2009 |
| | $ | $ |
| Trade Payables | 454,413 | 1,022,033 |
| Accrued Payroll Liabilities | 127,791 | 135,611 |
| Accrued Taxation Liabilities | 111,942 | 232,216 |
| **Total Trade Payables and Accruals** | **694,146** | **1,389,861** |

## Note 11. Current Borrowings

| | Consolidated | |
|---|---|---|
| | 2010 | 2009 |
| | $ | $ |
| Bank Facility | - | 190,000 |

## Note 12. Non-Current Borrowings

| | Consolidated | |
|---|---|---|
| | 2010 | 2009 |
| | $ | $ |
| Borrowings | 1,550,064 | - |
| Provision for Taxation | 88,085 | 95,880 |
| Income Received in Advance | 145,763 | 157,040 |
| | **1,783,912** | **252,920** |

Borrowings of $1.55 million are unsecured

**Note 13. Contributed Equity**

| | Parent (Shares) | | Parent ($) | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | **$** | **$** | **$** | **$** |
| Ordinary Shares fully paid | 297,781,927 | 246,026,588 | 72,853,217 | 63,715,556 |
| Contributing shares - paid to 10 cents | - | 12,227,421 | - | 1,222,742 |
| | **297,781,927** | **258,254,009** | **72,853,217** | **64,938,298** |
| **Movements in ordinary share capital** | | | | |
| Opening balance 1 July 2009 | 246,026,588 | | 63,715,556 | |
| Issued to Salim Group nominee | 36,916,918 | | 5,260,636 | |
| Conversion of SLACA | 12,227,421 | | 2,445,484 | |
| Conversion of SLACF | 10,000 | | 500 | |
| Directors Options Exercised | 2,600,000 | | 1,300,000 | |
| Unlisted Options Exercised | 1,000 | | 200 | |
| Calls outstanding | | | 130,841 | |
| **Closing Balance Ordinary Shares 30 June 2010** | **297,781,927** | | **72,853,217** | |
| **Movements in contributing share capital** | | | | |
| Opening balance 1 July 2009 - SLACF | 10,000 | | | |
| Converted to ordinary shares during the year | 10,000 | | | |
| **Closing Balance Contributing Shares SLACF** | - | | | |
| Opening Balance 1 July 2009 - SLACA | 12,227,421 | | 1,222,742 | |
| Converted to ordinary shares during the year | 12,227,421 | | 1,222,742 | |
| **Closing Balance Contributing Shares SLACA** | **-** | | **-** | |

In July 2009, a nominee of the Salim Group in Indonesia subscribed for 36,916,918 ordinary shares in Solagran at $0.15 per share.

Dr Vagif Soultanov, Executive Chairman of Solagran, exercised 2.6 million options during the year at a strike price of $0.50 each.

The second and final instalment on Contributing Shares (SLACA) was called in November 2009.

At 30 June 2010 there remains 12,227,421 unlisted options over Solagran shares (expiring 30 November 2010 with a strike price of $0.20) and Dr Soultanov holds a further 3.4 million options expiring Nov 2011 with a strike price of $0.50.

## Note 14. Reserves

| | Consolidated | |
|---|---|---|
| | 2010 | 2009 |
| **Share-Based Payment Reserve** | $ | $ |
| Opening Balance | 3,099,219 | 684,000 |
| Option Issue | - | 264,488 |
| Issue of shares to Solalife | - | 2,256,526 |
| Cancelation of 4,000,000 options to D.Kilroy | - | (105,795) |
| **Closing Balance** | **3,099,219** | **3,099,219** |

| | Consolidated | |
|---|---|---|
| | 2010 | 2009 |
| **Asset Revaluation Reserve** | $ | $ |
| Opening Balance | 64,679 | - |
| Reserve prior year taken to P&L | (64,679) | - |
| Fair value adjustment | - | 64,679 |
| **Closing Balance** | **-** | **64,679** |

| | Consolidated | |
|---|---|---|
| | 2010 | 2009 |
| **Foreign Currency Translation Reserve** | $ | $ |
| Opening Balance | (486,112) | |
| Foreign Currency Translation Reserve Arising During the Year | (302,333) | (119,235) |
| **Closing Balance** | **(788,445)** | **(119,235)** |
| **Total Reserves** | **2,310,774** | **3,044,663** |

## Note 15. Accumulated Losses

| | Consolidated | |
|---|---|---|
| | 2010 | 2009 |
| | $ | $ |
| Accumulated Losses at the beginning of the financial year | (50,404,487) | (40,052,358) |
| Net (loss) attributable to members | (4,004,996) | (10,098,895) |
| Income Tax Paid - Russia | - | 23,376 |
| Net loss attributable to minority interests | - | (276,610) |
| **Accumulated Losses at the end of the financial year** | (54,409,483) | (50,404,487) |

There is a difference of $105k relating to carry-forward losses for the Group. This will be resolved in conjunction with the Group's auditors upon completion of the Annual Financial Statements for 2010.

## Note 16. Loss per Share

| | Consolidated (Cents) | |
|---|---|---|
| | 2010 | 2009 |
| Basic loss per share | (1.390) | (4.360) |
| Diluted loss per share | (1.390) | (4.360) |

| | Consolidated (Shares) | |
|---|---|---|
| | 2010 | 2009 |
| Weighted average number of ordinary shares used in calculating basic loss per share | 288,056,425 | 231,606,572 |

| | Consolidated ($) | |
|---|---|---|
| | 2010 | 2009 |
| | $ | $ |
| Losses used in calculating basic and diluted loss per share | (4,004,996) | (10,098,894) |

### Note 17. Controlled Entities

| | Country Of Incorporation | Class of Share | 2010 | 2009 |
|---|---|---|---|---|
| Solathera Limited | Australia | Ordinary | 100% | 100% |
| SibEX LLC | Russia | Ordinary | 85% | 85% |
| Solagran Son LLC | Russia | Ordinary | 100% | 100% |
| Solagran Netherlands BV | Netherlands | Ordinary | 100% | 100% |

### Note 18. Net Tangible Assets per Security

| | Parent | |
|---|---|---|
| | 2010 Cents | 2009 Cents |
| NTA per Ordinary Share (cents) | 4.18 | 3.86 |

### Note 19. Segment Information

The consolidated entity develops, produces and sells Bioeffective products in Australia and Russia

| 2010 | Bioffective Production and Sales Australia | Bioffective Production and Sales Russia | Total |
|---|---|---|---|
| Segment revenue for sales to external customers | 393,815 | 1,057,425 | 1,451,241 |
| Adjusted EBITDA | (2,855,913) | (1,718,319) | (4,574,232) |
| Impairment of patents and trademarks | - | - | - |
| Total Segment Assets | 11,080,137 | 12,113,615 | 23,193,752 |
| Total Segment Liabilities | 1,744,823 | 1,477,809 | 3,222,632 |

| 2009 | Bioffective Production and Sales Australia | Bioffective Production and Sales Russia | Total |
|---|---|---|---|
| Segment revenue for sales to external customers | 302,773 | 175,162 | 477,935 |
| Adjusted EBITDA | (8,508,064) | (1,359,337) | (9,867,401) |
| Impairment of patents and trademarks | (2,000,000) | - | (2,000,000) |
| Total Segment Assets | 11,764,135 | 7,647,120 | 19,411,255 |
| Total Segment Liabilities | 1,832,781 | 1,957,880 | 3,790,661 |

1. This report is based on accounts in the process of being audited.

2. The company is not aware of any circumstance at the time of releasing this report whereby the accounts will be subject to dispute or qualification.

Signed by the Executive Chairman Dr Vagif Soultanov on Tuesday 31 August 2010.