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7EAG46264	A.C.N. 108 088 517 GIACONDA LIMITED	FORM 388 Copy of financial statements and reports

## Copy of financial statements and reports

### Company details

Company name

**GIACONDA LIMITED**

ACN

**108 088 517**

### Reason for lodgement of statement and reports

A public company or a disclosing entity which is not a registered scheme or prescribed interest undertaking

Dates on which financial  
year ends

Financial year end date

**30-06-2014**

### Auditor's report

Were the financial statements audited?

**Yes**

Is the opinion/conclusion in the report modified? (The opinion/conclusion in the report is qualified, adverse or disclaimed)

**Yes**

Does the report contain an Emphasis of Matter and/or Other Matter paragraph?

**Yes**

### Details of current auditor or auditors

Current auditor

Date of appointment **01-01-2008**

Name of auditor

**WALKER WAYLAND NSW**

Address

**'BKR WALKER WAYLAND' GPO BOX  
4836**

**SYDNEY NSW 2001**

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**Certification**

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I certify that the attached documents are a true copy of the original reports required to be lodged under section 319 of the Corporations Act 2001.

**Yes**

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**Signature**

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Select the capacity in which you are lodging the form

**Director**

I certify that the information in this form is true and complete and that I am lodging these reports as, or on behalf of, the company.

**Yes**

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**Authentication**

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This form has been authorised by

Name Christopher Robert BILKEY , Director

Date 26-11-2018

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**For more help or information**

Web [www.asic.gov.au](http://www.asic.gov.au)  
Ask a question? [www.asic.gov.au/question](http://www.asic.gov.au/question)  
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GIACONDA LIMITED

A.B.N. 68 108 088 517

ANNUAL REPORT

FOR THE FINANCIAL

YEAR ENDED

30 JUNE 2014

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**DIRECTORS' REPORT**

Your Directors present their report on Giaconda Limited (**Giaconda** or the **Company**) for the financial year ended 30 June 2014 together with the financial report and the auditors' report.

**INFORMATION ON DIRECTORS**

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

<b>Name:</b>	Mr Patrick McLean
<b>Title:</b>	Chief Executive Officer
<b>Qualifications:</b>	Bachelor of Science in chemistry from the University of Minnesota.
<b>Experience and expertise:</b>	Mr McLean has 30 years' experience in the pharmaceutical industry. He previously held positions with Axcan Pharma, the largest dedicated gastrointestinal company in the world. He has worked for other pharmaceutical companies building their licensing and distribution networks. He is the past president and honorary lifetime member of the Pharmaceutical Marketing Club of Quebec.
<b>Other current directorships:</b>	None
<b>Former directorships (in the last 3 years):</b>	None
<b>Special responsibilities:</b>	Acting Chairman, Chair of the Nomination Committee and a member of the Remuneration Committee.
<b>Interests in shares:</b>	None
<b>Interests in options:</b>	None

<b>Name:</b>	Professor Thomas Borody
<b>Title:</b>	Chief Medical Officer
<b>Qualifications:</b>	MBBS, MD, PhD, FRACP, FACG, FACP and AGAF.
<b>Experience and expertise:</b>	Professor Borody holds a doctorate in medicine from the University of New South Wales. He is the founder and current Medical Director of the Centre for Digestive Diseases. He has been a recipient of the Winthrop Travelling Fellowship, the Neil Hamilton Fairly Fellowship and the Marshall & Warren Prize. He was a Clinical Fellow in Gastroenterology at the Mayo Clinic in Rochester, Minnesota. He is a member of the Australian Medical Association, the Gastroenterology Society of Australia, the European Gastroenterology Society, the Functional Brain-Gut Research Company and is a Fellow of the American College of Gastroenterology and the American College of Physicians. Professor Borody supervises a number of major medical research programs as well as being involved as a reviewer for the American Journal of Gastroenterology, Digestive Diseases and Sciences, Endoscopy, Journal of Gastroenterology and Hepatology, Medical Journal of Australia and Digestive and Liver Diseases. He has published in excess of 160 scientific papers.

## DIRECTORS' REPORT

	In 2004 he was appointed an Adjunct Professor of the Faculty of Science at the University of Technology Sydney. In July 2005 Professor Borody was awarded his PhD from the University of Newcastle.
<b>Other current directorships:</b>	None
<b>Former directorships (in the last 3 years):</b>	None
<b>Special responsibilities:</b>	None
<b>Interests in shares:</b>	Professor Borody owns 1,220,000 fully paid ordinary shares in the Company in his capacity as the trustee for the B&F Superannuation Fund. Professor Borody's company, Centre For Digestive Diseases Pty Ltd, owns 49,892,714 fully paid ordinary shares in the Company.
<b>Interests in options:</b>	None

<b>Name:</b>	Mr Chris Bilkey
<b>Title:</b>	Director
<b>Qualifications:</b>	Diploma of Biochemistry, Latrobe University.
<b>Experience and expertise:</b>	Mr Bilkey was Vice President of Pharmacia for the Asia Pacific region and was active in the pharmaceutical industry for over 24 years with experience in a broad range of sales and marketing, operational and corporate strategic roles. He was previously the Sales and Marketing Director of Pharmacia. In that role he was responsible for the identification and pursuit of business development opportunities, as well as the creation and implementation of all sales and marketing plans and the operation's strategic plans. Chris played a leading role in facilitating the merger of the Pharmacia and Upjohn companies in Australia. He was then appointed the Australasian President of Pharmacia & Upjohn. In that role he delivered over-budget sales and earnings in the region for both 1998 and 1999 and established key commercial, research and development, and government alliances. Chris was the Chief Executive Officer for Pharmacia's Asia Pacific region.
<b>Other current directorships:</b>	None
<b>Former directorships (in the last 3 years):</b>	None
<b>Special responsibilities:</b>	Member of the Remuneration, Audit, Risk and Nomination Committees.
<b>Interests in shares:</b>	2,000,000 fully paid ordinary shares.
<b>Interests in options:</b>	None

### DIRECTORS' REPORT

<b>Name:</b>	Mr Trevor Moore
<b>Title:</b>	Non-executive Director
<b>Qualifications:</b>	MPS, PHC and JP.
<b>Experience and expertise:</b>	Mr Moore is a registered pharmacist and graduated from the University of Sydney in 1961. Since that time he has owned and operated various retail pharmacies around Sydney. Trevor moved into a sales and marketing role with Burroughs Wellcome in Sydney and then progressed on to become the founder and Managing Director of Stephen Hunter Pty Ltd (of Chemists' Own brand fame).
<b>Other current directorships:</b>	None
<b>Former directorships (in the last 3 years):</b>	None
<b>Special responsibilities:</b>	Chair of the Remuneration, Audit and Risk Committees. Member of the Nominations Committee.
<b>Interests in shares:</b>	253,609 fully paid ordinary shares.
<b>Interests in options:</b>	None

"Other current directorships" quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

"Former directorships (in the last 3 years)" quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

### DIRECTORS' MEETINGS

The number of meetings of the Company's Board of Directors (the **Board**) held during the financial year and the number of meetings attended by each Director during the time the Director held office was:

Director	Board		Audit Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr Patrick McLean	4	4	-	-
Professor Thomas Borody	4	4	-	-
Mr Chris Bilkey	4	4	-	-
Mr Trevor Moore	4	4	-	-

There were no Remuneration, Risk and Nomination Committee meetings during the financial year.

### INFORMATION ON COMPANY SECRETARY

Mr Marcus Connor was appointed to the position of Company Secretary on 8 July 2012.

Mr Connor is a corporate lawyer admitted to practice law in New South Wales, Australia. He holds a BA/LLB (Hons) and LL.M degrees.



## DIRECTORS' REPORT

## PRINCIPAL ACTIVITIES

The Company is presently focusing on the research and development of therapies for the treatment of different gastrointestinal diseases and conditions. The Company's immediate goal is to commercialise its existing intellectual property.

## ROYALTY RIGHTS

The Company has the right to receive royalties and/or sublicensing receipts (the **Royalty Rights**) from a commercialised Myoconda®, Heliconda® and/or Picoconda® product from RedHill Biopharma Ltd (**RedHill**). Those rights are held by the Company pursuant to the Asset Sale Agreement between Giaconda Limited and RedHill Biopharma Ltd dated 16 August 2010 (the **Sale Agreement**).

Those Royalty Rights and a description of each product sold by the Company to RedHill is set out below:

Product	Disease Indication	Legal owner	Giaconda's potential entitlement
Myoconda® (now called "RHB-104" by RedHill)	MAP infection in Crohn's disease	RedHill Biopharma Ltd	7% of Net Sales actually received by RedHill and/or its Affiliate in respect of Myoconda® after recovery by RedHill of all costs and expenses that exceed the agreed budget.  20% of Sublicense Receipts actually received by RedHill and/or its Affiliate in respect of Myoconda® after recovery by RedHill of all costs and expenses that exceed the agreed budget.
Heliconda® (now called "RHB-105" or "Talia®" by RedHill)	Resistant <i>Helicobacter pylori</i> infection	RedHill Biopharma Ltd	7% of Net Sales actually received by RedHill and/or its Affiliate in respect of Heliconda® after recovery by RedHill of all costs and expenses that exceed the agreed budget.  20% of Sublicense Receipts actually received by RedHill and/or its Affiliate in respect of Heliconda® after recovery by RedHill of all costs and expenses that exceed the agreed budget.
Picoconda® (now called "RHB-106" by RedHill)	Bowel preparation for colonoscopy	RedHill Biopharma Ltd	7% of Net Sales actually received by RedHill and/or its Affiliate in respect of Picoconda® after recovery by RedHill of all costs and expenses that exceed the agreed budget.  20% of Sublicense Receipts actually received by RedHill and/or its Affiliate in respect of Picoconda® after recovery by RedHill of all costs and expenses that exceed the agreed budget.  Under the Salix/RedHill Agreement (disclosed in the Directors' Report for the year ended 30 June 2014) the Company is also entitled to receive 20% of all Sublicense Receipts received by RedHill from Salix in consideration for the Company waiving its rights to buy back Picoconda® from RedHill.

## DIRECTORS' REPORT

### ***Myoconda® - A combination antibiotic therapy for the treatment of Crohn's disease***

Crohn's Disease is a chronic inflammatory disease of the gastrointestinal tract. The disease most commonly affects the lower small intestine and the large intestine. Patients suffering from Crohn's Disease are conventionally treated with drugs aimed at reducing inflammation and other associated symptoms.

The cause of Crohn's Disease is unknown and the standard treatments aim to treat symptoms rather than the cause of the disease. The bacterium *Mycobacterium Avium Paratuberculosis* (**MAP**) is the lead candidate as an infectious cause of Crohn's Disease.

By targeting the MAP infection, Myoconda® is designed to address the possible source of the disease, rather than attempting to merely alleviate symptoms. Giaconda intended that Myoconda® would be used to treat patients who have failed conventional therapy and are confirmed to be infected with MAP.

Myoconda® is a combination of three registered antibiotics – Rifabutin, Clarithromycin and Clofazimine. Myoconda® presents these three compounds in a patented all-in-one capital combination. Significant data has been published demonstrating that patients treated with Myoconda® antibiotic combination experience long-term remission of clinical symptoms and information, some for over nine years.

As mentioned above, the Company sold Myoconda® to RedHill. A summary of the material terms of that transaction is set out in Directors' report for the financial year ended 30 June 2011.

Shareholders should read the announcements made by RedHill to the NASDAQ and Tel-Aviv Stock Exchanges for further information about RedHill's progress in commercialising and developing Myoconda® (which therapy is now called "RHB-104" by RedHill). The Company and its Directors does not make any representations or warranties in respect of the accuracy or completeness of those announcements, as well as in relation to RedHill's prospects of successfully commercialising and developing that therapy.

### ***Heliconda® - A combination therapy for the treatment of resistant Helicobacter pylori infection***

*Helicobacter pylori* (*H. pylori*) is a bacterium believed to affect around 50% of the population worldwide. *H. pylori* lives in the mucosal lining of the stomach and causes up to 90% of peptic ulcer disease.

Current treatment for *H. pylori* infection focuses on eradicating the bacteria using a combination of antibiotics in the stomach acid suppressant. With the increased use of antibiotics to treat other infections and resultant prevalence of antibiotic resistance, it has become more difficult to treat *H. pylori* resistant strains. As a result, up to 30% of patients with resistant *H. pylori* failed these treatments.

Heliconda® is designed to address resistant *H. pylori* infection by incorporating the antibiotic rifabutin which has reported eradication rates of 79-80% in patients where all other available antibiotic regimes have failed. In addition to rifabutin, the Heliconda® combination includes Amoxicillin and stomach acid suppressant known as a protein pump inhibitor.

As mentioned above, the Company sold Heliconda® to RedHill. A summary of the material terms of that transaction is set out in Directors' report for the financial year ended 30 June 2011.

Shareholders should read the announcements made by RedHill to the NASDAQ and Tel-Aviv Stock Exchanges for further information about RedHill's progress in commercialising and developing Heliconda® (which therapy is now called "RHB-105" or "Talicia®" by RedHill). The Company and its Directors does not make any representations or warranties in respect of the accuracy or completeness of those announcements, as well as in relation to RedHill's prospects of successfully commercialising and developing that therapy.

### ***Picoconda® - Bowel preparation for use in Gastrointestinal Tract Procedures***

Investigation of lower gastrointestinal tract disorders is often performed by colonoscopy, using a simple device to examine the lining of the gut. This is usually performed by gastroenterologist, surgeon or other clinician, as a more precise alternative to x-ray approaches, such as barium enema or barium meal tests.

**DIRECTORS' REPORT**

The key to a successful colonoscopy is a clean bowel. Conventional bowel preparations are powders dissolved in large volumes of liquid. These preparations are considered by many patients to be unpalatable and the resulting poor compliance often results in poor bowel cleansing.

The Company has developed a new preparation in the form of a capsule that avoids patient exposure to the often unacceptable taste of current products and allows for an unobstructed procedure. This preparation, Picoconda®, contains Picosulphate, a stimulant laxative used to empty the bowel prior to colonoscopy, bowel surgery, barium enema radiology or virtual colonography.

Preliminary studies at the Centre for Digestive Diseases have indicated a high acceptability of Picoconda® and cleansing capacity equivalent to that of standard polyethylene glycol solutions. The product, therefore, has the potential to provide diagnostic adequacy and reliability for gastrointestinal investigator procedures for providing a better tolerated product patients.

Picoconda® was jointly owned by Giaconda and Pharmatel. Both parties shared the development costs and any income derived from the product. The Company has a contractual obligation to pay Pharmatel its share of any revenue which the Company receives from RedHill.

As mentioned above, the Company sold Ibaconda® to RedHill. A summary of the material terms of that transaction is set out in Directors' report for the financial year ended 30 June 2011.

Shareholders should read the announcements made by RedHill to the NASDAQ and Tel-Aviv Stock Exchanges for further information about RedHill's progress in commercialising and developing Ibaconda® (which therapy is now called "RHB-106" by RedHill). The Company and its Directors does not make any representations or warranties in respect of the accuracy or completeness of those announcements, as well as in relation to RedHill's prospects of successfully commercialising and developing that therapy.

**REMAINING INTELLECTUAL PROPERTY**

The Company owns two products (being Hepaconda® and Ibaconda®). A description of each product and the status of its development is set out below.

Product	Disease Indication	Status
Hepaconda®	Hepatitis C Virus	The Board decided during the financial year ended 30 June 2011 to fully impair the value of Hepaconda® for the reasons explained in the Directors' report for that financial year. Accordingly, no further research or development work has been undertaken on Hepaconda®.
Ibaconda®	Constipation-predominant irritable bowel syndrome	The Board decided during the financial year ended 30 June 2011 to fully impair the value of Ibaconda® for the reasons explained in the Directors' report for that financial year. Accordingly, no further research or development work has been undertaken on Ibaconda®.

***Hepaconda® - A combination therapy for the treatment of Hepatitis C Virus (HCV)***

Hepatitis C Virus affects 3.1% of the world's population and is currently the number one cause of liver transplantation in the United States. There are six primary genotypes of HCV and study show that 70-75% of all infections are of the genotype one variety (**HCV-G**).

Currently the most effective treatment for chronic HCV includes a combination of drugs being Interferon, Alpha and Ribavirin. This treatment is associated with a number of side effects and is only effective for 42-46% of patients, leaving a large proportion with no effective therapy.

## DIRECTORS' REPORT

Hepaconda® is a combination of Bezafibrate and Chenodeoxycholic Acid (**CDCA**). It has been demonstrated in clinical trials that CDCA, when used as a single compound, reduced Hepatitis C Infection (**HCV**) and improved liver function in patients. The combination of Bezafibrate, which has also been shown to eliminate HCV, with CDCA, therefore appears to offer an advantage over current treatments.

### ***Ibaconda® - A combination therapy for the Irritable Bowel Syndrome***

Irritable Bowel Syndrome (**IBS**) is a bowel disorder characterised by symptoms including abdominal pain or cramping, bloating, diarrhoea and/or constipation. The cause of IBS remains unknown.

IBS may be diarrhoea-predominant, constipation-predominant or alternated between both. There is currently no effective treatment or cure for IBS. Therapy may vary from a change in diet to the use of various medications, such as laxative, antibiotics or drugs that change the motility of the bowel. While such treatments relieve symptoms for some patients, a large proportion of patients continue to suffer.

Ibaconda® is a combination of Olsalazine and Colchicine which have been identified as providing effective relief to patients with constipation-predominant IBS when used in combination.

Olsalazine is an anti-inflammatory medication currently used to treat ulcerated colitis that produces a laxative effect. Colchicine is a drug that has also demonstrated some efficacy when used to treat the symptoms of constipation. Both of these drugs when used as a single agent are only moderately effective in some patients. When used together these drugs provide some effective relief of constipation than either of the two drugs used alone. It is on this basis that the Company contends that this combination offers an effective treatment alternative for patients with constipation-predominant IBS. Results of the use of this treatment at the CDD reinforce this concept and are being further quantified through research.

## OPERATING AND FINANCIAL REVIEW

### **(a) Review of operations**

The Company is a biotechnology company operating in Australia.

The vision of the Company is to become a worldwide leader in the development of innovative therapies for serious Gastro Intestinal (**GI**) diseases and disorders providing, relief of suffering and extended survival for patients while generating profitability and returns to investors above the industry sector norm.

The mission of the Company is to develop and license innovative and cost effective medical therapies for patients suffering from serious GI diseases and disorders for which there is no existing treatment that is as effective and safe.

The Company continues to make progress towards achieving its vision and mission during the financial year ended 30 June 2014 through:

- its entry into and execution of a deed between Deed between the Company, Centre for Digestive Diseases Pty Ltd, Professor Thomas Borody, Salix Pharmaceuticals Inc (**Salix**) and RedHill Biopharma Ltd (**RedHill**) dated 27 February 2014 (the **Salix/RedHill Deal**);
- its ongoing efforts to restructure its business and affairs; and
- its ongoing efforts to sell its remaining therapies (being Hepaconda® and Ibaconda®).

### ***Salix/RedHill Deal***

The Company entered into and executed the Salix/RedHill Deal in response to a request from Salix and RedHill to waive certain pre-emptive rights which the Company holds to buy back the Picoconda® product (called "RHB-106" by RedHill).

## DIRECTORS' REPORT

The Company holds that right pursuant to the agreement between Company and RedHill dated 16 August 2010 (the **Sale Agreement**). That Sale Agreement sets out the terms upon which the Company sold all its intellectual property in Myoconda®, Heliconda® or Picoconda® to RedHill.

The waiver by the Company of its right to buy back the Picoconda® product was requested by Salix and RedHill to enable RedHill to sell certain intellectual property rights to Salix. The Company agreed to waive that right provided that RedHill pay the Company:

- USD\$1 million within 5 days of RedHill receiving its initial consideration from Salix; and
- 20% of the sublicense receipts which RedHill receives from Salix pursuant to the agreement between Salix and RedHill. That payment must be made within 60 days of RedHill receiving its payment from Salix.

The Company used all of the USD\$1 million payment to pay its creditors the amounts then due and payable by it to them.

### ***Restructure of the Company's Business and Affairs***

The Board placed the Company into voluntary administration on 25 February 2011 in an effort to restructure its business and affairs.

Mr Nicholas Crouch of Crouch Amirbeaggi was appointed as the voluntary administrator of the Company on that date. His appointment was confirmed at the first creditors meeting held on 9 March 2011.

The Company obtained a \$115,000 loan on an unsecured and interest free basis from Minimum Risk between December 2010 and April 2011. The purpose of that loan was to part fund the costs associated with the voluntary administration of the Company. Minimum Risk continued to provide funding to a total of \$282,000. \$80,000 of that loan was repaid in March 2013 by Professor Thomas Borody on behalf of the Company

On 23 March 2011 the Voluntary Administrator called a second creditors' meeting to consider and, if thought fit, approve a proposed Deed of Company Arrangement (**DOCA**) proposed by the Board. The proposed DOCA contemplated that:

- Minimum Risk will provide a \$450,000 convertible loan to the Company once certain conditions have been satisfied;
- The \$50,000 lent by Minimum Risk to the Company will be converted into fully paid ordinary shares in the Company once certain conditions had been satisfied;
- Professor Thomas Borody will sell a significant part of his shareholding in the Company to Minimum Risk once certain conditions have been satisfied;
- The Company will undertake a capital raising to fund its existing business operations once certain conditions are satisfied;
- The Voluntary Administrator's (being Mr Nicholas Crouch) remuneration will be paid from the available funds. The Voluntary Administrator had a remuneration cap of \$66,000 (GST inclusive) for the period from 25 February 2011 to 31 March 2011 and a remuneration cap of \$11,000 (GST inclusive) for the period from 31 March 2011 to the date of approval of the DOCA;
- The Deed Administrator's liabilities and remuneration will be paid from the available funds. The Deed Administrator would have a remuneration cap of \$44,000 (GST inclusive);
- Certain third party service providers to the Company will be paid in relation to the transactions contemplated by the DOCA;

## DIRECTORS' REPORT

- Professor Thomas Borody will be repaid \$37,916. That amount represents the money he lent the Company on an unsecured basis to pay FB Rice & Co the invoices by them to the Company;
- Trade creditors with admitted claims will be paid 100 cents in the dollar once certain transaction costs have been paid;
- Corporate Governance Australia Pty Ltd ATF the Maguire Family Superannuation Fund (**CGA**) (being a company associated with the former company secretary, Mr Vincent Sweeney) will be paid an amount not exceeding \$30,000 to terminate all of its then valid options in the Company on issue;
- Related party creditors with admitted claims will be paid the balance of the available funds;
- Related party creditors whose admitted claims have not been fully satisfied will be provided with the opportunity to have their debt assumed in full by Crohn's Benefit Company Pty Ltd (**CBC**) (being a company incorporated by Mr Trevor Moore and Mr Chris Bilkey for the sole purpose of acquiring and holding the royalty rights to Myoconda®, Heliconda® and Picoconda® and then holding those royalty rights on trust for the existing Giaconda shareholders in proportion to their then current shareholdings in Giaconda);
- The CBC will acquire rights to any royalties received from Myoconda®, Heliconda® and Picoconda® subject to certain conditions being satisfied which included the approval of the Company's shareholders; and
- The directors and management of the Company may change once certain conditions have been satisfied.

The proposed DOCA is subject to separate approvals from a majority of creditors and a majority of shareholders of the Company.

A majority of creditors by value and number approved the proposed DOCA at the second meeting of creditors' held on 23 March 2011.

On 21 April 2011 the DOCA was varied to increase the provision made for the Deed Administrator's anticipation remuneration. The DOCA was executed by all parties to it on or about 21 April 2011. However, as at 30 June 2011, the proposed DOCA had yet to be approved by the Company's shareholders and its transaction remained unconsummated.

On 2 February 2012 the DOCA was varied to remove the \$30,000 provision which had been made in favour of CGA for the purpose of persuading CGA to surrender its options over unissued Company shares and to increase the Deed Administrator's anticipated remuneration.

The DOCA was terminated on 4 July 2013. Control of the Company's business and affairs was handed back by the Deed Administrator, Mr Nicholas Crouch, to the Board of Directors on or about 4 July 2013.

### *Results of the Restructuring*

In summary, the net result of the Company going into administration (initially in the form of voluntary administration and later, following the approval of the DOCA, in the form of deed administration) was that:

- the Company paid all its third party creditors on or about 28 March 2013 in full;
- the Company reached agreement with its related party creditors on or about 28 March 2013 that all debts owed by the Company to them is on a contingent liability basis and is only repayable on the first to occur of:
  - the Board reasonably determining that the payment of those amounts will not impact on the operational viability of the Company; or
  - there is a change in ownership of more than 50% of the issued shares of the Company; or
  - the Company cumulatively raises \$5 million in a year;

**DIRECTORS' REPORT**

- the only remaining option held by CGA over unissued shares in the Company expired with the result that the Company had no further options on issue;
- the Company obtained a commercial benefit of \$200,000 from Minimum Risk on or about 28 March 2013. That benefit resulted from the Settlement Deed which the Company entered into with Minimum Risk regarding the alleged failure by Minimum Risk to perform its obligations under the DOCA;
- the Company retained its royalty rights in Myoconda®, Heliconda® and Picoconda® pursuant to the Sale Agreement; and
- the Board decided to scale back the Company's entire operations and allow its registered patents over Hepaconda® and Ibaconda® to lapse. That decision was made in line with the Board's decision to fully impair the value of those products.

***Attempts to Commercialise and Develop the Remaining Intellectual Property***

The Company also sought during the financial year ended 30 June 2014 to sell or licence its remaining products (being Hepaconda® and Ibaconda®). Efforts in that regard are continuing by the Company.

To that end, the Company and Salix entered into and executed an Asset Purchase Agreement on 27 February 2014. That agreement sets out the terms upon which Salix will purchase from the Company all the intellectual property rights which the Company owns in Ibaconda®. The consideration for the proposed sale of that asset was USD\$500,000 plus a 5% royalty of Net Sales.

That agreement is conditional upon the Company using its best endeavours to recover all of its former Ibaconda® patents and upon the Company receiving shareholder approval for the proposed deal.

The proposed deal did not complete as Salix failed or refuse to settle/complete the agreement. The Company did not have the resources to pursue legal action against Salix.

**(b) Results of operations*****Financial performance***

The profit of the Company for the financial year after providing for income tax amounted to \$455,680 (2013: \$96,594).

The Company is aiming to create value for shareholders through:

- the receipt of royalties from RedHill if that company is successful in commercialising Myoconda® (which therapy is now called "RHB-104" by RedHill), Heliconda® (which therapy is now called "RHB-105 or Talicia®" by RedHill) and Picoconda® (which therapy is now called "RHB-106" by RedHill); and
- its ongoing attempts to sell its remaining products being Hepaconda® and Ibaconda® even though the Company has fully impaired the value of those products.

***Financial position***

The Company's main activity during the year was restructuring its business and affairs through the administration process. The Company's other main activity was its ongoing efforts to sell Hepaconda® and Ibaconda®.

The Company did not raise any funds through the issue of shares during the year.

## DIRECTORS' REPORT

Professor Borody and his company, Centre For Digestive Diseases Pty Ltd, continue to support the Company financially by way of loans and other financial accommodation pursuant to the letter of comfort they have given the Company.

### BUSINESS STRATEGY AND PROSPECTS FOR FUTURE FINANCIAL YEARS

#### *Business strategy*

The Board continued to maintain the following strategy for the Company during the financial year ended 30 June 2014:

- to scale back all activities of the Company in order to keep its operating expenses to a minimum;
- to place the operations of the Company on a care and maintenance basis until such time as the Company receives royalties from RedHill from a commercialised Myoconda®, Heliconda® or Picoconda® product;
- to apply all proceeds received from RedHill to satisfy all the then existing liabilities of the Company;
- to use the remaining net proceeds from RedHill to build a solid financial basis before:
  - declaring and paying dividends to its shareholders;
  - developing new products; and/or
  - applying to the ASX Limited for a relisting of its ordinary securities on the Australian Securities Exchange;
- to continue to actively evaluate the prospects for selling its remaining products (being Hepaconda® and Ibaconda®) even though those assets have been fully impaired.

#### *Prospects*

The Board has reason to believe that the Company will receive royalty payments from RedHill in respect of a commercialised Myoconda® (which therapy is now called "RHB-104" by RedHill), Heliconda® (which therapy is now called "RHB-105 or Talicia®" by RedHill) or Picoconda® (which therapy is now called "RHB-106" by RedHill) based on the announcements made by RedHill to its investors to date.

Those announcements are available from [www.redhillbio.com](http://www.redhillbio.com). Neither the Company nor the Directors make any representations or warranties in relation to the accuracy or completeness of those announcements or in relation to RedHill's prospects of successfully commercialising and developing Myoconda®, Heliconda® or Picoconda®.

The Board also has reason to believe that the Company will receive payments from RedHill in respect of the Salix/RedHill Deal.

#### *Risks*

There are specific risks associated with the Company's strategy and general risks which are largely beyond the control of the Company and its Directors. The risks identified below, or other risk factors, may have a material impact on the future financial performance of the Company and the market price of the Company's shares.



## DIRECTORS' REPORT

### *Legal risks*

The Company faces the risk that RedHill may breach the obligations which it owes the Company under the Sale Agreement. Those breaches may take the form of:

- RedHill failing or refusing to use its reasonable commercial endeavours to commercialise and develop Myoconda® (which therapy is now called "RHB-104" by RedHill), Heliconda® (which therapy is now called "RHB-105 or Talicia®" by RedHill) or Picoconda® (which therapy is now called "RHB-106" by RedHill) in accordance with its obligation to do so under the Sale Agreement;
- RedHill failing or refusing to protect and maintain the intellectual property rights over Myoconda®, Heliconda® or Picoconda® in accordance with its obligation to do so under the Sale Agreement;
- RedHill failing or refusing to pay the Company any royalties which are due and payable to the Company in accordance with the Sale Agreement; or
- RedHill failing or refusing to pay the correct amount of royalties due to the Company in accordance with the Sale Agreement.

The Company faces the further risk that Salix may breach the obligations which it owes RedHill under the Salix RedHill Licence Agreement dated on or about 27 February 2014. If Salix were to breach that agreement and RedHill does not receive the amounts owing to it by Salix, then the Company is unlikely to receive the consideration payable to it by RedHill pursuant to the Salix/RedHill Deal.

Additionally, the Company faces the risk that RedHill may fail or refuse to pay the Company the amounts owed to it by RedHill in accordance with the Salix/RedHill Deal.

While those risks are matters beyond the control of the Company, the Company would have the right to commence legal proceedings against RedHill in an effort to obtain the appropriate Court orders to enforce compliance by RedHill with the relevant contract.

Neither the Company nor the Directors make any representations or warranties in relation to the successful commercialisation or development by RedHill of Myoconda®, Heliconda® or Picoconda® including, without limitation, the likely income (if any) the Company expects to receive from RedHill in respect of those therapies or from the Salix/RedHill Deal.

### *Operational risks*

The Company faces the risk that RedHill may not commercialise and develop Myoconda®, Heliconda® or Picoconda® for medical or scientific reasons.

It might be that any clinical trials conducted by RedHill on those therapies are unsuccessful or produce substandard results which do not justify further research and development.

It might also be that a competitor of RedHill develops a more efficacious competing product with the result that RedHill abandons further research and development of Myoconda®, Heliconda® or Picoconda®.

Those risks are matters beyond the control of the Company.

### *Insolvency risks*

The Company also faces the risk that RedHill may suffer an insolvency event.

## DIRECTORS' REPORT

An insolvency event is commonly understood in Australia to include the following events which adversely affects the ability of its company to meet its obligations as and when they fall due:

- the appointment of an administrator to a company;
- the appointment of a liquidator to a company;
- the commencement of legal proceedings to wind up a company;
- the making of a Court order to windup a company; or
- the company making a compromise with its creditors.

If RedHill suffers an analogous event in Israel (being its place of incorporation as a company), then it might be RedHill is no longer able to continue the research or development of Myoconda®, Heliconda® or Picoconda® product, as well as pay royalties in respect of those products to the Company.

It might also be that a liquidator appointed to RedHill has the legal authority to disclaim or cancel the Sale Agreement with the result that Giaconda is not entitled to any royalties from a commercialised Myoconda®, Heliconda® or Picoconda® product.

Those risks are matters beyond the control of the Company.

### *Economic risks*

Generic economic conditions might have an adverse effect on the ability of the Company to fund its operations through future capital raisings.

### *Market risks*

Share market conditions may affect the value of the Company's securities regardless of the Company's operating performance and the fact that those securities are no longer quoted on the Australian Securities Exchange. Share market conditions are affected by many factors such as:

- general economic outlook;
- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment towards particular market segments;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price for securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

### *Additional requirements for capital*

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income, the Company will require further financing. Any additional equity financing will dilute shareholdings and debt financing, if available, may involve restrictions on financing and operating activities.

If the Company is unable to obtain additional financing as needed, it may be required to sell its remaining assets. There is, however, no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

## DIRECTORS' REPORT

### DIVIDENDS

No dividend has been paid during the financial year and no dividend is recommended for the financial year. There were no dividends paid, recommended or declared during the current or previous financial year.

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant change in the state of affairs of the Company occurred during the financial year:

- on 11 March 2014 the Company received USD\$1 million from RedHill pursuant to a Deed between the Company, Centre for Digestive Diseases Pty Ltd, Professor Thomas Borody, Salix Pharmaceuticals Inc and RedHill Biopharma Ltd dated 27 February 2014 whereby the Company waived its pre-emptive rights to buy back certain therapies from RedHill

### EVENTS SUBSEQUENT TO BALANCE DATE

The following events subsequent to the balance date occurred in relation to the Company:

- on 8 March 2016 Mr Trevor Moore passed away and cease to be a director of the Company; and
- on 7 June 2018 Mr Patrick McLean resigned as a director and as an employee of the Company.

### REMUNERATION REPORT (AUDITED)

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001 (Cth). The remuneration arrangements detailed in this report are for the Directors who held office during the financial year as follows:

<u>Director</u>	<u>Position</u>	<u>Appointed</u>	<u>Ceased</u>
Mr Patrick McLean	Chief Executive Officer and acting Chairman	16 November 2004	7 June 2018
Professor Thomas Borody	Chief Medical Officer	23 February 2004	Current
Mr Chris Bilkey	Non-Executive Director	20 January 2009	Current
Mr Trevor Moore	Non-Executive Director	14 December 2004	8 March 2016

#### *Remuneration philosophy*

The remuneration report details the remuneration arrangements for key management personnel (**KMP**) who are defined as those having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise). Key management personnel of the Company comprise the Board of Directors only.

The performance of the Company depends upon the quality of its key management personnel. To prosper the Company must attract, motivate and retain appropriately skilled directors and executives. The Company's broad remuneration policy is to ensure the remuneration package rewards performance, properly reflects the person's duties and responsibilities and is competitive in attracting, retaining and motivating people of the highest quality.

#### *Remuneration structure and approach*

Remuneration of Directors is currently set by the Board of Directors. The Board has not used its separate Remuneration Committee as it is constituted by the same individuals as the Board of Directors. Nor has the Board used the services of a remuneration consultant to review and provide comparisons for recommendations when setting the remuneration received by Directors. It is considered that the circumstances of the Company along with the level of activity of the Company renders this impractical and the full Board considers in detail all of the matters for which the Directors are responsible.

## DIRECTORS' REPORT

### *Executive Remuneration Structure*

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and aligned with market practice.

Executive remuneration and incentive policies and practices must:

- be aligned with the Company's vision, values and overall business objectives;
- be designed to motivate the executives to pursue the Company's long term growth and success; and
- demonstrate a clear relationship between the Company's overall performance and the performance of executives.

The nature and amount of remuneration of executives are assessed on a periodic basis by the Board for their approval. The overall objective is to ensure maximum stakeholder benefit from the retention of high performing executives.

The main objectives sought when reviewing executive remuneration is that the Company has:

- coherent remuneration policies and practices to attract and retain executives;
- executives who will create value for shareholders;
- competitive remuneration offered benchmarked against the external market; and
- fair and responsible rewards to executives having regard to the performance of the Company, the performance of the executives and the general pay environment.

There is no predetermined equity compensation element within the remuneration structure nor are there any predetermined performance conditions to be satisfied.

Further details relating to the remuneration of Executive Directors are set out in the remuneration table set out below and within the notes to the financial statements.

### *Non-Executive Remuneration Structure*

Non-executive directors are remunerated by way of fees, in the form of cash, non-cash benefits and superannuation contributions. The Board's intention is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board of Directors determines the payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate fee pool to be paid to Directors (excluding executive directors) is set out at \$96,000 per annum (being the amount allowed for two non-executive directors).

Non-executive directors are encouraged to purchase shares in order to align their own interests with shareholder interests.

Non-executive directors may enter into separate consultancy mandates with the Company for the provision of professional and technical services that fall outside the scope of their directorship role. Under this mandate directors receive a consultancy fee in connection with the time spent on Company business, including reasonable expenses incurred by them in carrying out this consultancy role.

During the financial year, non-executive directors received a total of \$96,000 (2013: \$96,000). Further details relating to the remuneration of non-executive directors are contained in the Remuneration Report set out below and within the notes to the financial statements.

## DIRECTORS' REPORT

### *Remuneration and performance*

Director remuneration is currently not linked to either long term or short term performance conditions. The Board feels that the shares currently on issue to the Directors are sufficient, long term incentive to align the goals of the Directors with those of the shareholders to maximise shareholder wealth, and as such, has not set any performance conditions for the Directors of the Company. The Board will continue to monitor this policy to ensure that it is appropriate for the Company in future years.

### *Details of remuneration*

The key management personnel of the company are the Board of Directors. Details of the remuneration of the Directors of the Company for the financial years ended 30 June 2014 and 30 June 2013 are set out in note 4 to the financial report.

### *Contractual arrangements*

#### **Mr Patrick McLean** – Chief Executive Officer and acting Chairman

- Contract commencement date: 1 November 2004.
- Term: Open, although subject to retirement by rotation under the Company's Constitution.

#### **Professor Thomas Borody** – Chief Medical Officer

- Contract commencement date: 1 January 2005.
- Term: Open, although subject to retirement by rotation under the Company's Constitution.

#### **Mr Chris Bilkey** – Non-Executive Director

- Contract commencement date: There is a letter agreement in place. Director fees commenced on date of appointment as director.
- Term: Open, although subject to retirement by rotation under the Company's Constitution.

#### **Mr Trevor Moore** – Non-Executive Director

- Contract commencement date: There is no service agreement in place. Director fees commenced on date of appointment as director.
- Term: Open, although subject to retirement by rotation under the Company's Constitution.

### *Share based compensation*

The Company does not remunerate any of its key management personnel with the issue of shares or options. The Board considers this appropriate having regard to the circumstances of the Company. The Board will continue to monitor this policy to ensure that it is appropriate for the Company in future years.

### *Adoption of remuneration report by shareholders*

The adoption of the Remuneration Report for the financial year ended 30 June 2010 was put to the shareholder of the Company at the Annual General Meeting (**AGM**) held on 30 November 2010. The Company received 79.54% of votes in favour of its Remuneration Report and the resolution was passed without amendment on a show of hands. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

End of Remuneration Report

**DIRECTORS' REPORT****ENVIRONMENTAL ISSUES**

The Company is not subject to any significant environmental regulations under either Commonwealth or State legislation. The Board is not aware of any breach of environmental requirements as they apply to the Company.

**SHARES UNDER OPTION**

The Company has no options on issue. Accordingly, no person has any rights to subscribe for unissued shares in the Company.

**PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied to the Court pursuant to section 237(1) of the Corporations Act 2001 (Cth) for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purposes of taking responsibility on behalf of the Company for all or part of the proceedings.

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

**NON-AUDIT SERVICES**

There were no non-audit services provided by the Company's auditors during the financial year.

**INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

The Company has not indemnify its directors and officers or provided them with any insurance coverage during the financial year ended 30 June 2014.

**INDEMNIFICATION OF AUDITORS**

To the extent permitted by law, the Company has agreed to indemnify its auditors, Walker Wayland NSW Chartered Accountants, as part of the terms of its audit engagement agreement against claims made by third parties arising from the audit. No payment has been made to indemnify the auditors during the financial year.

**LEAD AUDITOR'S INDEPENDENCE DECLARATION**

The Lead Auditor's Independence Declaration for the financial year ended 30 June 2014 has been received as required under section 307C(1) of the Corporations Act 2001 (Cth) and can be found on the following page.

Signed in accordance with a resolution of the Board of Directors.



**Professor Thomas Borody**  
Director



**Mr Chris Bilkey**  
Director

Sydney, New South Wales  
Dated: 23<sup>rd</sup> day of November 2018

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF GIACONDA LIMITED**

We declare that, to the best of our knowledge and belief, during the year ended 30 June 2014 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

  
Walker Wayland NSW  
Chartered Accountants

  
Wali Aziz  
Partner

Dated this 23<sup>rd</sup> day of November 2018, Sydney

## CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Giaconda Limited seeks to act professionally and ethically while executing its responsibilities as its guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board has adopted a corporate governance framework which it considers to be suitable given the size, history and strategy of the Company, having considered the principles and best practice recommendations of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**Principles and Recommendations**). That framework was adopted when the ordinary securities of the Company was listed on the Australian Securities Exchange (the **ASX**).

Whilst the ordinary securities of the Company ceased to be listed on the ASX on 1 August 2013 and the Company is no longer required to comply with the ASX Listing Rules, the Company continues to adhere to its corporate governance framework in the interests of goods corporate governance.

Set out below is the extent to which the Company has followed the Principles and Recommendations (being the 3<sup>rd</sup> edition published by the ASX Corporate Governance Council) during the financial year.

Principles and Recommendations		Compliance	Comment
<b>1.</b>	<b>Lay solid foundations for management and oversight</b>		
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	Complies	The Company's Corporate Governance Statement includes a Board Charter. That charter discloses the specific responsibilities of the Board.  The Board delegates responsibility for the day to day operations and administration of the Company to the Chief Executive Officer.  The Corporate Governance Statement is posted on the Company's website.
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Complies	The Board of Directors has procedures in place to select the most suitable candidate with the appropriate experience to ensure a balanced and effective Board.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Complies	New Directors receive a letter of appointment which sets out the terms of their appointment. Senior executives have a formal job description and letter of appointment describing the term of office, duties, rights, responsibilities and entitlements upon termination.
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Complies	The appointment, performance, review, and where appropriate, the removal of the Company Secretary is a key responsibility of the Board. All directors have access to the Company Secretary who is accountable directly to the Board, through the Chairman, on all matters



Principles and Recommendations	Compliance	Comment
		to do with the proper functioning of the Board.
<p>1.5 A listed entity should:</p> <p>(a) have a diversity policy which includes the requirements for a board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined and published under the Act.</p>	Does not comply	<p>Due to the Company's size and nature of its operations, the Company has not implemented a diversity policy, nor measurable objectives in relation to gender diversity at the various levels of the Company's business.</p> <p>The Company has included the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board at the end of the Corporate Governance Statement, under the section titled "Gender Diversity".</p>
<p>1.6 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	Does not comply	Due to the Company's circumstances, the Board has not followed these recommendations during the reporting period.
<p>1.7 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	Does not comply	Due to the Company's circumstances, the Board has not followed these recommendations during the reporting period.
<b>2</b>	<b>Structure the Board to Add Value</b>	
<p>2.1 The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director; and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p>	Complies	<p>The Company has a Nominations Committee.</p> <p>The charter of the Nominations Committee is set out on the Company's website.</p> <p>The members of the Nominations Committee are identified in the Directors' Report.</p> <p>Due to the Company's circumstances, the Nominations</p>

Principles and Recommendations	Compliance	Comment
<p>(5) as at the end of each reporting period the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>		Committee has not met during the reporting period.
2.2	Complies	The Board's composition and the experience and qualifications of each Board member is disclosed in the directors report. The Board should represent a broad range of qualifications, experience and expertise considered of benefit to the Company and be structured in such a way that it has proper understanding of, and competency in, the current and emerging issues facing the Company, and can effectively review management's decisions.
2.3	Complies	<p>The names of the directors considered to be independent are disclosed in the Corporate Governance Statement under the section titled "Directors in Office". Where a director has an interest, position, association or relationship of the type described in Box 2.3, the Board will disclose the reasons why it is of the opinion that it does not compromise the independence of that director, should the situation occur.</p> <p>The length of service of each director is disclose in the Directors' report.</p>
2.4	Does not comply	<p>During the financial year the Board consisted of four directors.</p> <p>Executive Chairman and Chief Executive Officer, Mr Patrick Maclean, and Chief Medical Officer, Professor Thomas Borody, and Non-Executive Directors Mr Chris Bilkey and Mr Trevor Moore.</p> <p>It is considered the Directors are free of any business or other relationship that could materially interfere with the independent exercise of their judgment.</p> <p>The Company intends to follow the recommendation again when the Company's operations reach an appropriate size and it is cost-effective to do so.</p>

Principles and Recommendations		Compliance	Comment
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as CEO of the entity.	Does not comply	The Company intends to follow this recommendation again when the Company's operations reach an appropriate size and it is cost-effective to do so.
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Does not comply	The Company intends to follow this recommendation again when the company's operations reach an appropriate size and it is cost-effective to do so.
<b>3</b>	<b>Act ethically and responsibly</b>	Complies	
<b>4</b>	<b>Safeguard integrity in financial reporting</b>		
4.1	The board of a listed entity should: <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all firm are non-executive directors and a majority whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose the fact that the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment removal of the external auditor and the rotation of the audit engagement partner.</p>	Does not comply	Whilst the Board has established a separate Audit Committee, it has not reconstituted that committee following the passing of Mr Trevor Moore.  Mr Moore was the independent director and chairman of the Audit Committee.  At the date of this Annual Report, Professor Brody and Mr Bilkey (being the remaining directors) discharge or the roles and responsibilities associated with the Audit Committee.
4.2	The Board of a listed entity should, before it proves the entity's financial statements for a financial period, receive from an CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system a risk management and internal control which are operating effectively.	Does not comply	The Board has not filled the position of CEO following the resignation of Mr Patrick MacLean as an employee and director on 7 June 2018. The position of CFO has not been filled given the Company's small size and present circumstances.  However, the Board has sought the assurances set out in recommendation 4.2 from the Company's accountant, Mrs Jo-anne Jenkins, and the Company Secretary, Mr Marcus Connor, who have been involved in the audits for each of the financial years since 30 June 2011 to the date of this report.
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Complies	The Company's external auditor attends the Company's AGM and is available to answer questions relevant to the audit.

Principles and Recommendations		Compliance	Comment
<b>5</b>	<b>Make timely and balanced disclosure</b>		
5.1	A listed entity should: <ul style="list-style-type: none"> <li>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</li> <li>(b) disclose that policy or a summary of it.</li> </ul>	Complies	The Company's Corporate Governance Statement states the policy and procedures to ensure compliance with its disclosure obligations under the Corporations Act 2001 (Cth).  The Board has delegated the function of continuous disclosure to the Company Secretary to assess the type of information that needs to be disclosed and to ensure the Company's announcements are made in a timely manner, factual, do not commit material information and are in compliance with the Corporations Act 2001 (Cth).
<b>6</b>	<b>Respect the rights of security holders</b>		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Complies	The Board's policy is for all investors to have equal and timely access to material information concerning the Company, including its financial position, performance, ownership and governance.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Complies	The Board has established practices to facilitate communication with the company shareholders. The Company Secretary oversees this process through the Company's website.
6.3	A listed entity should disclose policies and processes it has in place to facilitate and encourage participation in meetings of security holders.	Complies	All shareholders are notified in writing of general meetings and encouraged to attend and participate.
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the company and the security registry electronically.	Complies	Shareholders may communicate via electronic means with the Company's share registry and may register to access personal shareholding information and receive electronic information.
<b>7</b>	<b>Recognise and manage risk</b>		
7.1	The board of a listed entity should: <ul style="list-style-type: none"> <li>(a) have a committee or committees to oversee risk, each of which: <ul style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director; and disclose: <ul style="list-style-type: none"> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(5) as at the end of each reporting period, the number of times the committee met throughout the period in the</li> </ul> </li> </ul> </li> </ul>	Does not comply	Whilst the Board has established a Risk Committee, it has not reconstituted that committee following the passing of Mr Trevor Moore and the resignation of Mr Patrick MacLean.  At the date of this Annual Report, Professor Borody and Mr Bilkey (being the remaining directors) discharge the roles and responsibilities of the Risk Committee.

Principles and Recommendations	Compliance	Comment
<p>individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entities risk management framework.</p>		
<p>7.2 The board of a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	Complies	The Board is responsible for approving and overseeing the risk management system. The Board reviews, at least annually, the effectiveness of the risk management controls and procedures.
<p>7.3 A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	Does not comply	<p>The Company does not have a formal internal audit function. However, the Board oversees the effectiveness of internal controls.</p> <p>The Board actively encourages the external auditor to raise internal control issues.</p>
<p>7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how manages or intends to manage those risks.</p>	Complies	The Company has disclosed a number of risks associated with its activities in the Directors' Report.
<b>8</b>		
<b>Remunerate fairly and responsibly</b>		
<p>8.1 The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ol style="list-style-type: none"> <li>(1) has at least three members, majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director, and disclose:</li> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members of those meetings; or</li> </ol> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	Does not comply	<p>Whilst the Board has established a Remuneration Committee, it has not reconstituted that committee following the passing of Mr Trevor Moore and the resignation of Mr Patrick MacLean.</p> <p>At the date of this Annual Report, Professor Brody and Mr Bilkey (being the remaining directors) discharge or the roles and responsibilities associated with the Remuneration Committee.</p>
<p>8.2 A listed entity should separately disclose its policies and procedures regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	Complies	The Company has separate policies relating to the remuneration of non-executive director and that of executive directors and senior executives.

Principles and Recommendations		Compliance	Comment
			That information is detailed in the Remuneration Report, which forms part of the Directors' Report in this Annual Report. The Company's Constitution provides that the remuneration non-Executive Director's will be not more than the aggregate fixed sum determined by general meeting.
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose a policy a summary of it.	Not applicable	The Company does not have any equity-base remuneration schemes in operation.

Unless otherwise stated, the Company's corporate governance practices were in place for the full financial year ended 30 June 2014. There have been some board changes subsequent to the year end and instances where the Company no longer complies with the Recommendations have been noted above.

For further information on corporate governance policies adopted by the Company, please refer to our website. A summary of the principal corporate governance practices are set out below.

### The Role of the Board and Management

The Board is responsible for guiding and monitoring the Company on behalf of shareholders by whom they are elected and to whom they are accountable.

The Board is responsible for:

- developing, approving monitoring implementation of corporate policy, strategy and objectives;
- developing and monitoring adoption of the most appropriate principles of corporate governance;
- reviewing and ratifying systems risk management and internal control, codes of conduct and legal compliance;
- approving of monitoring the progress of major projects, funding programs, acquisitions and divestment;
- reviewing and approving annual business plans, operating and capital budgets;
- reviewing and ratifying systems for health, safety, and environmental management and control;
- appointing and evaluating the performance of senior executives; and
- selecting and appointing new directors to the Board, and evaluating the performance of all members of the Board.

Scheduled meetings of the Board are held throughout the year and the Board meets on other occasions to deal with matters that require attention between scheduled meetings. The Board delegates responsibility for the day-to-day operations and administration of the Company to the Chief Executive Officer and acting Chairman.

The Company has obligations to its stakeholders to ensure that it is managed with appropriate due diligence and that all necessary processes are implemented to minimise risk and maximise business opportunities.

To that end, all commercial arrangements, capital expenditure and other commitments are appropriately documented and have been authorised by the Board.

### Composition of the Board

The composition of the Board is determined in accordance with the Company's Constitution.

The Board determines its size and composition, subject to the terms of the Constitution. The Board does not believe that it should establish a limit on tenure other than the limit stipulated in the Company's Constitution.

While tenure limits can help to ensure fresh ideas and viewpoints available to the Board, they have the disadvantage of losing the contribution of directors who have been able to develop an increasing insight into the Company's and its operations.

### Director Independence

The Company recognises that independent Directors are important in verifying to shareholders that the Board is properly fulfilling its role and is diligent in holding senior management accountable for its performance. Where practical, it is intended that the Board should comprise a majority of independent non-executive directors and comprise directors with a broad range of qualifications, skills, expertise and experience from a diverse range of backgrounds. Where practical it is also intended that the Chair be an independent non-executive director.

Directors of Giaconda Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement. The Board has adopted the definition of independence based on that set out in Principle 2 of the ASX Corporate Governance Revised Principles and Recommendations. The Board regularly reviews the independence of each director in light of their interests disclosed to the Board.

### Directors in Office

At the date of this statement the following Directors are in office:

<b>Name</b>	<b>Position</b>	<b>Independent</b>
Professor Thomas Borody	Chief Medical Officer	No
Mr Chris Bilkey	Non-Executive Director	Yes

As a substantial shareholder of the Company, Professor Borody is not considered to be independent. The skills, experience, expertise and tenure of each director are disclosed in the Directors' Report within this Annual Report.

### Appointment to the Board

The Board of Directors undertakes the role of a Nomination Committee which identifies and recommends potential director appointments. Where a casual vacancy arises during the year, the Board has procedures to select the most suitable candidate with the appropriate experience and expertise to ensure a balanced and effective board. Any director appointed during the year to fill a casual vacancy or as an addition to the current board, holds office until the next Annual General Meeting and is then eligible for re-election by the shareholders.

New directors receive a letter of appointment which sets out the terms of their appointment. On appointment, an induction program is available to directors that include individual sessions with members of the executive team.

### Evaluation of Senior Executives

Senior executives have a formal job description and letter of appointment describing the term of office, duties, rights, responsibilities and entitlements upon termination.

### Ethical Business Practices

The Board is bound by the Company's Board Charter and Code of Conduct (as disclosed in the Company's Corporate Governance Plan). The Board understands the obligations for ethical and responsible decision-making. All Directors and Officers are expected to:

- (a) comply with the law;
- (b) act in the best interests of the Company;
- (c) be responsible and accountable for their actions; and
- (d) observe the ethical principles of honesty and fairness, including proper disclosure of potential conflicts.

The Board has procedures in place for reporting any matters that may give rise to unethical practices or conflicts between the interests of a director or senior executive and those of the Company. Those procedures are reviewed as required by the Board. The Company has adopted a conflict of interest policy, as part of the Code of Conduct that clarifies the processes for directors and senior executives to determine and disclose when a conflict of interest exists.

### Shareholding and Trading

The Board encourages directors and senior executives to own shares in the Company to further link their interests with the interests of all shareholders. Trading of shares by directors and senior executives is prohibited under certain circumstances and during certain periods of the financial year. A director or senior executive must not deal in the Company shares at any time when he or she has unpublished information which, if generally available, might affect the share price. Directors and senior executives are required to first obtain written consent from the Chairman or Company Secretary before dealing in the Company's securities.

### Safeguard Integrity

The Board of Directors performs the duties of the Audit and Risk Committee and operates under a charter to enable it to perform its role and responsibilities. Where appropriate, the Company's external auditors are invited to attend Board meetings related to audit and risk matters. As the Board is comprised of one Executive Director and one non-Executive Director, the Company does not comply with ASX recommendation 4.1 which recommends that the Audit Committee should be structured as follows:

- consists only of non-executive directors;
- consists of majority of independent directors;
- is chaired by an independent chair, who is not chair of the board; and
- has at least three members.

The Board considers that the Company is not of a size at the moment that justifies having a separate audit committee and additional independent non-executive directors. Although the Company intends to seek out and appoint additional independent directors to the Board when the size and scale of the Company justify and warrant the inclusion, for the time being the Company maintains a mix of directors from different backgrounds of complementary skills and experience. The qualifications of the Directors, together with their attendances at Board meetings, are disclosed in the Directors' Report within this Annual Report.

The role of the Audit and Risk Committee is typically to assist the Board to fulfil its responsibilities in relation to the identification of the areas of significant business risk and monitor the following:

- the quality and integrity of the Company's financial statements, accounting policies and financial reporting and disclosure practices;
- compliance with all applicable laws, regulations and company policies;
- the effectiveness and adequacy of internal control process;
- the performance of the Company's external auditors and their appointment and removal;
- the independence of the external auditor and the rotation of the lead engagement partner; and
- the identification and management of business risks.

The Executives of the Company provide the Board with additional assurances regarding the reliability of the financial information for inclusion in the financial statements. The Chief Medical Officer is in his executive and financial capacity required to declare to the Board that in his opinion the financial statements and the notes to the accounts in the Annual Report are in accordance with the Corporations Act 2001 (Cth), comply with the Accounting Standards and the Corporations Regulations 2001 (Cth), give a true and fair view of the financial position of the Company, are based upon a sound system of risk management and internal compliance and control prior to signing the Directors' Declaration in the Annual Report.

### Independent Advice

The Board recognises that in certain circumstances individual Directors may need to seek independent professional advice, at the expense of the Company. Any advice received will be made available to other Directors.



**Timely and Balanced Disclosure**

The Board recognises the need to comply with its obligations under the Corporations Act 2001 (Cth) concerning continuous disclosure.

At each meeting of the Directors, consideration is given as to whether notice of material information concerning the Company including its financial position, performance, ownership and governance has been made available to all investors.

The continuous disclosure policy also requires senior executives in possession of disclosable information to comply with the policy.

**Communication with Shareholders**

The Board aims to ensure that shareholders, on behalf of whom they are, are informed of all major developments affecting the Company's activities and its state of affairs, including information necessary to assess the performance of the directors.

Communication with shareholders is achieved through the distribution of the following information:

- the annual report distributed to shareholders;
- the half yearly report which is available on the Company's website;
- the Annual General Meeting and General Meetings called to obtain shareholder approval for board action as appropriate. Shareholders are encouraged to attend and participate at the Company's Annual General Meeting and General Meetings;
- letters to shareholders when considered appropriate and informative;
- announcements made to the Australian Securities and Investments Commission and posted on the Company's website; and
- investor information on the Company's website.

The Company strives to ensure that company announcements made via its website are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner.

**Shareholders' Role**

The shareholders of the Company are responsible for voting on the election of directors at the Annual General Meeting in accordance with the Constitution. All directors (other than the managing director) are subject to re-election by rotation, no later than every three years.

The Annual General Meeting also provide shareholders with the opportunity to express their views on matters concerning the Company and to vote on other items of business for resolution by shareholders. The Company's auditor, Walker Wayland NSW Chartered Accountants, makes available a partner of the firm to be in attendance at the Annual General Meeting and to be available to as the shareholder questions in relation to the audit.

**Risk Management**

The entire Board is responsible for overseeing the risk management function. The Board is responsible for ensuring the risks and opportunities are identified on a timely basis. The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategies and policies, internal compliance and internal control.

The Board has mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- implementation of board approved operating plans and budget;
- Board monitoring of progress against these budgets, including the monitoring of key performance indicators are both financial and non-financial nature; and
- the establishment of committees to report on specific risks when identified.

### Internal Risk Management System Compliance

The Board has not received the report from management as to the effectiveness of the Company's management of its material business risk. The Board's collective experience will enable accurate identification of the principal risk that may affect the Company's business. Key operational risks and their management will be items for deliberation at Board meetings.

Please refer to the operating and financial review for further detail on the Company's material risks.

The Board requires that the Chief Executive Officer and Chief Financial Officer, or equivalent, every half year, provide a statement confirming that a sound system risk management and internal controls in place and that the system is operating effectively in all material respects in relation to financial risk.

### Monitoring Performance

The Board and senior executives monitor the performance of the Company through preparation of monthly management accounts. The monthly management accounts are prepared using accrual accounting and report each segment's result. The monthly management accounts are compared to monthly budgets. The monitoring of the Company's performance by the board and management assess and identify the correct allocation of resources to maximise the overall return to shareholders.

A performance evaluation of executives was not undertaken during the year. However, the Board has regular weekly monitored the performance of its executives on an informal basis during the tenure of their appointments.

### Remunerate Fairly

Details of the structure of non-executive directors' and senior executives' remuneration are included in the Remuneration Report within the Directors' Report in this Annual Report.

The role of the Remuneration Committee is undertaken by the full Board of Directors. The Board has adopted a Remuneration Committee Charter to ensure that the responsibilities of the board are discharged in an appropriate manner.

The role of the Remuneration Committee is to determine the Company's remuneration plans, policies and practices including compensation arrangements for non-executive directors, executive directors and senior executives. It is also responsible for considering general remuneration policies and practices, recruitment and termination policies and superannuation acquisitions.

There are no retirement schemes or retirement benefits other than statutory benefits for non-executive directors.

### Gender Diversity

The Company has not yet adopted diversity policy as part of its Corporate Governance Plan. However, the Company recognises the benefits arising from board diversity, and is committed to providing a diverse workplace that embraces and promotes diversity.

The Company is an equal opportunity employer and chooses candidates after canvassing the market on the basis of selecting the most appropriate candidate based on merit and suitability for the role.

The Company is currently in an early stage of its development and given that the Company currently has few employees, the application of measurable objectives in relation to gender diversity, at various levels of the Company's business, is not considered to be appropriate nor practical. The participation of women in the Company as at 30 June 2014 was as follows:

- women employees in the company 0%
- women and senior management positions 0%
- women on the board 0%

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$	2013 \$
<b>INCOME</b>			
Revenue from ordinary activities	2	1,160,449	202,517
<b>EXPENSES</b>			
Personnel costs		(435,000)	-
Finance and legal		(204,859)	(56,332)
Administration		(7,397)	(49,591)
Licensing		(57,513)	-
		(704,769)	(105,923)
Profit from continuing operations before income tax benefit		455,680	96,594
Income tax benefit relating to continuing operations	3	-	-
Profit from continuing operations after income tax benefit attributable to members of the Company		455,680	96,594
Other comprehensive income		-	-
<b>Total comprehensive profit for the year</b>		455,680	96,594
<b>EPS (basic and diluted)</b>		0.0058	0.0012

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	2014 \$	2013 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	949	52,409
Trade and other receivables	7	141,153	29,976
<b>TOTAL CURRENT ASSETS</b>		142,102	82,385
<b>TOTAL ASSETS</b>		142,102	82,385
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	94,273	91,740
Financial liabilities	9	578,402	976,898
Provisions	10	34,272	34,272
<b>TOTAL CURRENT LIABILITIES</b>		706,947	1,102,910
<b>TOTAL LIABILITIES</b>		706,947	1,102,910
<b>NET (LIABILITIES)</b>		(564,845)	(1,020,525)
<b>EQUITY</b>			
Contributed equity	11	7,486,270	7,486,270
Accumulated losses		(8,051,115)	(8,506,795)
<b>TOTAL (DEFICIENCY)</b>		(564,845)	(1,020,525)

The accompanying notes form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	\$	\$	\$
	Contributed Equity	Accumulated Losses	Total
<b>Balance at 01.07.2012</b>	7,486,270	(8,603,389)	(1,117,119)
Profit attributable to members of parent entity		96,594	96,594
<b>Balance at 30.06.2013</b>	7,486,270	(8,506,795)	(1,020,525)
Profit attributable to members of parent entity		455,680	455,680
<b>Balance at 30.06.2014</b>	7,486,270	(8,051,115)	(564,845)

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$	2013 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from operations		1,160,445	202,392
Payments to suppliers and employees		(813,413)	(19,413)
Interest received		4	125
Net cash provided by operating activities	14b	347,036	183,104
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net movement on borrowings		(398,496)	(131,729)
Net cash used in financing activities		(398,496)	(131,729)
<b>NET (DECREASE) INCREASE IN CASH HELD</b>			
Cash at beginning of year		(51,460)	51,375
<b>CASH AT END OF YEAR</b>	14a	52,409	1,034
		949	52,409

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014****NOTE 1: BASIS OF PREPARATION****Basis of Preparation**

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of the financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**(a) Ongoing Viability and Going Concern**

The Company incurred a net profit after tax of \$455,680 for the year ended 30 June 2014 and had net current liabilities and net liabilities of \$564,845 as at that date. The Company was in administration from the period 25 February 2011 to 3 July 2013.

The above matters give rise to significant material uncertainty that cast doubt over the ability of the entity to continue as a going concern.

The Directors have determined that the company is a going concern and have prepared the financial statements on that basis. The Directors have made that determination based on the public announcements made by RedHill Biopharma Ltd (RedHill) to its investors about its progress in commercialising and developing Myoconda® (which therapy is now called "RHB-104" by RedHill), Heliconda® (which therapy is now called "RHB-105" or "Talicia®" by RedHill) and Picoconda® (which therapy is now called "RHB-106" by RedHill).

The Directors have also made that determination on the basis of the Company's entry into and execution of the deed between the Company, Centre For Digestive Diseases Pty Ltd, Professor Borody, Salix Pharmaceuticals Inc and RedHill Biopharma Ltd dated 27 February 2014. That deed has resulted in the payment of USD\$1 million from RedHill to the Company in consideration for the Company waiving its right to buy back the Picoconda® from RedHill. The Company is also entitled to receive 20% of the sublicense receipts which RedHill receives from Salix.

Furthermore, the Directors have made that determination based on the key assumptions that the Company's operations will be kept on a care and maintenance basis, the Company will not maintain its Hepaconda and Ibaconda patents and no repayments of related party loans will be made. The directors have obtained letters of support from the related parties confirming their willingness not to call for repayment of their loans for a period of at least 12 months from the date of signing of the financial report.

Should the Company not obtain royalties from RedHill or should the support of shareholders not be forthcoming, then the ability of the Company to continue as a going concern is uncertain.

No adjustments have been made to the recoverability and classification of recorded asset values and the amount and classification of liabilities that might be necessary should the Company not continue as a going concern.

**(b) Income Tax**

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

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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

Current and deferred tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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

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

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

**(c) Financial Instruments****Recognition**

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

**Financial assets at fair value through profit and loss**

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

**Loans and receivables**

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014****NOTE 1: BASIS OF PREPARATION (CONTINUED)****Held-to-maturity investments**

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

**(c) Financial Instruments****Financial liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

**Derivative Investments**

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

**Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in the hedge reserve in equity are transferred to the income statement in the periods when the hedged item will affect profit or loss.

**Impairment**

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

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

**(d) Intangibles****Patents and trade marks**

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses.

The amortisable amount of patents and trade marks is amortised on a straight line basis over the term of the patent and trade mark commencing from the time the intangible is registered.

**Research and development**

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

Development costs have an infinite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

**(e) Employee Benefits**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

**Equity-settled compensation**

The Company operates a number of share-based compensation plans. These include both an employee share option plan and an employee share plan. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

**(f) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

**(g) Revenue**

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

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

**(h) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(i) Comparative Figures**

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

**(j) Critical Accounting Estimates and Judgements**

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

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**

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**NOTE 1: BASIS OF PREPARATION (CONTINUED)**

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*Key Estimates – Impairment*

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

**(k) New Accounting Standards for Application in Future Periods**

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Company has decided not to early adopt. A discussion of those future requirements that may impact the Company is as follows:

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

The Directors anticipate that the adoption of AASB15 is unlikely to have an impact on the Company's financial statements as the Company has no revenue streams at this point in time.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 2: REVENUE FROM CONTINUING OPERATIONS	2014 \$	2013 \$
Continuing operations		
— Sale of intangible asset	1,160,445	-
— Interest received from financial institutions	4	125
— Loan forgiveness	-	202,392
<b>Total Revenue</b>	<b>1,160,449</b>	<b>202,517</b>

NOTE 3: INCOME TAX BENEFIT (EXPENSE)	2014 \$	2013 \$
The components of the tax benefit (expense) comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled as follows:		
Prima facie tax expense on profit from ordinary activities before income tax at 30% (2013: 30%)	136,704	28,978
Add (less):		
Tax effect of:		
— tax losses brought to account	(122,338)	(35,631)
— movement in accruals and provisions	(11,085)	11,085
— other allowable deductions	(3,281)	(4,432)
	(136,704)	(28,978)
Income tax benefit attributable to Company	-	-

Deferred tax losses not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur:

Tax losses: operating losses \$9,495,300 (2013: \$9,903,092).

## NOTE 4: KEY MANAGEMENT PERSONNEL COMPENSATION

a. **Directors**

The following were Directors of Giaconda Limited during the financial year:

- (i) *Acting Chairperson – Executive Director*  
Patrick Laughlin McLean, Chief Executive Officer
- (ii) *Executive Director*  
Professor Thomas Julius Borody, Chief Medical Officer
- (iii) *Non-executive Directors*  
Trevor Moore  
Christopher Robert Bilkey

All of the above persons were also key management persons during the year ended 30 June 2014 unless otherwise stated.

b. **Shareholdings****Number of Shares held by Key Management Personnel**

	Balance 1.7.2013	Received as Compensation	Options Exercised	Net Change Other*	Balance 30.6.2014
Trevor Moore	253,609	-	-		253,609
Thomas Julius Borody	51,112,714	-	-		51,112,714
<b>Total</b>	<b>51,366,323</b>	<b>-</b>	<b>-</b>		<b>51,366,323</b>

\* Net Change Other refers to shares purchased or sold during the financial year.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 4: KEY MANAGEMENT PERSONNEL COMPENSATION (CONT.)

## c. Key Management Personnel Compensation

Key Management Person	Short-term benefits				Post-employment benefits
	Cash & salary	Fees	Non-cash benefit	Other	Superannuation
	\$	\$	\$	\$	\$
<b>Financial Year 30 June 2014</b>					
<b>Capacity as Director</b>					
Trevor Moore	48,000*	48,000	-	-	-
Christopher Robert Bilkey	48,000*	48,000	-	-	-
Thomas Julius Borody	60,000*	82,000	-	-	-
Anthony Moon (retired)	-	50,000	-	-	-
<b>Capacity as other key management personnel</b>					
Patrick Laughlin McLean	260,000*	82,000	-	-	-
Thomas Julius Borody	170,000**	-	-	-	-
	586,000	310,000	-	-	-
<b>Financial Year 30 June 2013</b>					
<b>Capacity as Director</b>					
Trevor Moore	48,000*	-	-	-	-
Christopher Robert Bilkey	48,000*	-	-	-	-
Thomas Julius Borody	60,000*	-	-	-	-
<b>Capacity as other key management personnel</b>					
Patrick Laughlin McLean	260,000*	-	-	-	-
Thomas Julius Borody	170,000**	-	-	-	-
	586,000	-	-	-	-

\* Taken up as a contingent liability.

\*\* Taken up as a contingent liability. Where payments are made in respect of this remuneration, they are paid to the Centre for Digestive Diseases, a related party of Professor Thomas Borody.

The directors resolved on 15 September 2008 to suspend the issue of shares under the non-executive directors share plan and defer all directors' fees owing now and into the future on the same terms and conditions on which the Chief Medical Officer had deferred payment of consulting fees.

NOTE 5: AUDITORS' REMUNERATION	2014 \$	2013 \$
Remuneration of the auditor for:		
- auditing or reviewing the financial report	-	32,950
- accounting services provided by related practice of auditor	-	4,000

NOTE 6: CASH AND CASH EQUIVALENTS	2014 \$	2013 \$
Cash at bank	949	52,409
<b>Reconciliation of cash</b>		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:		
Cash and cash equivalents	949	52,409

NOTE 7: TRADE AND OTHER RECEIVABLES	2014 \$	2013 \$
Other receivables – Solicitors trust account	92,132	2,100
GST net receivables	49,021	27,876
	141,153	29,976

NOTE 8: TRADE AND OTHER PAYABLES	2014 \$	2013 \$
Trade payables	94,273	91,740
	94,273	91,740

These notes form part of the financial statements

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 9: FINANCIAL LIABILITIES	Note	2014 \$	2013 \$
<b>CURRENT</b>			
Borrowings - non-interest bearing	9a	578,402	976,898
		<u>578,402</u>	<u>976,898</u>

- 9a. The loans are only repayable in full should one of the following events occur:
- The Company enters into a licensing agreement for one of its products and the Board of Directors reasonably determines that the repayment of this amount will not impact on the operational viability of the Company.
  - The Company raises funds whether through debt or equity equal to or exceeding the cumulative amount of \$5,000,000 in any financial year.
  - There is a change in the ownership of more than 50% of the issued shares of the Company.
  - The Company becomes insolvent or subject to any form of external administration other than for the purpose of corporate restructuring.

NOTE 10: PROVISIONS	2014 \$	2013 \$
Employee benefits	34,272	34,272
a. Aggregate employee entitlement liability	34,272	34,272
	No.	No.
b. Number of employees at year end	1	1

NOTE 11: CONTRIBUTED EQUITY	2014 \$	2013 \$
78,373,505 (2013: 78,373,505) fully paid ordinary shares	7,486,270	7,486,270
a. <b>Ordinary shares</b>	No.	No.
At the beginning of reporting period	78,373,505	78,373,505
At reporting date	78,373,505	78,373,505

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

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

- c. **Capital Management**
- Management controls the capital of the Company in order to maintain a good debt to equity ratio and to ensure that the Company can fund its operations and continue as a going concern.
- The Company's debt and capital includes ordinary share capital and financial liabilities.
- There are no externally imposed capital requirements.
- Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues.
- There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year.

NOTE 12: CONTINGENT LIABILITIES AND CONTINGENT ASSETS	2014 \$	2013 \$
Estimates of the potential financial effect of contingent liabilities that may become payable:		
Chief Medical Officer Fees		
The Company has engaged Professor Thomas Borody as Chief Medical Officer. The agreement provided for an annual salary to be paid for these services of \$230,000. The agreement operated from 1 January 2005 to 31 December 2005. Professor Borody has agreed to defer payment of this amount until the first to occur of;		
The Company enters into a licensing agreement or assignment agreement for one of its products; and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; or		
There is change in ownership of more than 50% of the issued shares of the Company.		
In the event that the above is not accomplished, he will release the Company from these obligations.	230,000	230,000

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$	2013 \$
<b>NOTE 12: CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONT.)</b>		
<p><b>Non-Executive Director Fees</b></p> <p>Professor Thomas Borody, as a non-executive director of the Company for the period 15 June 2004 to 31 December 2004 is entitled to a fee for his service. Professor Borody has agreed to defer payment of this amount until the first to occur of;</p> <p>The Company enters into a licensing agreement or assignment agreement for one of its products; and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; or</p> <p>There is change in ownership of more than 50% of the issued shares of the Company.</p> <p>In the event that the above is not accomplished, he will release the Company from these obligations.</p>	16,438	16,438
<p><b>Executive Director Fees</b></p> <p>Professor Thomas Borody, as an executive director of the Company from 1 January 2006 is entitled to a fee for his service. Professor Borody has agreed to defer payment of the balance owing until the first to occur of;</p> <p>The Company enters into a licensing agreement or assignment agreement for one of its products; and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; or</p> <p>There is change in ownership of more than 50% of the issued shares of the Company.</p> <p>In the event that the above is not accomplished, he will release the Company from these obligations.</p>	428,000	450,000
<p><b>Chief Executive Officer Incentive Payment</b></p> <p>The Chief Executive Officer has been paid an incentive under his incentive program. The Chief Executive Officer has agreed to defer payment of this amount until the first to occur of;</p> <p>The Company enters into a licensing agreement or assignment agreement for one of its products; and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; or</p> <p>There is change in ownership of more than 50% of the issued shares of the Company.</p> <p>In the event that the above is not accomplished, he will release the Company from these obligations. It is noted that \$42,000 is in respect of services for the 2005 financial year and was payable in 2006. \$93,600 is in respect of services for the 2006 financial year and was payable in 2008. \$52,800 is in respect of services for the 2007 financial year and was payable in 2008.</p>	188,400	188,400
<p><b>Chief Executive Officer Living-Away-From-Home-Allowance Payment</b></p> <p>The Chief Executive Officer is paid a living-away-from-home-allowance under his employment contract. The Chief Executive Officer has agreed to defer payment of this amount until the first to occur of;</p> <p>The Company enters into a licensing agreement or assignment agreement for one of its products; and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; or</p> <p>There is change in ownership of more than 50% of the issued shares of the Company.</p> <p>The Company cumulatively raises \$5,000,000 in a year.</p> <p>In the event that the above is not accomplished, he will release the Company from these obligations.</p>	213,187	213,187
<p><b>Centre of Digestive Diseases</b></p> <p>The Company has engaged the Centre for Digestive Diseases, a related party of Professor Thomas Borody, to provide the service of Chief Medical Officer. The agreement provides for an annual fee to be paid for these services of \$170,000 commencing 1 July 2006. The Centre for Digestive Diseases has agreed to defer payment of this amount until the first to occur of;</p> <p>The Company enters into a licensing agreement or assignment agreement for one of its products; and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; or</p> <p>There is change in ownership of more than 50% of the issued shares of the Company.</p> <p>In the event that the above is not accomplished, he will release the Company from these obligations.</p>	1,360,000	1,190,000
<p><b>Chief Executive Officer Salary Payment</b></p> <p>The Chief Executive Officer is paid a salary under his employment contract. The Chief Executive Officer has agreed to defer payment of the balance owing until the first to occur of;</p> <p>The Chief Executive Officer has agreed to defer payment of this amount until the first to occur of;</p> <p>The Company enters into a licensing agreement or assignment agreement for one of its products; and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; or</p> <p>There is change in ownership of more than 50% of the issued shares of the Company.</p> <p>The Company cumulatively raises \$5,000,000 in a year.</p> <p>In the event that the above is not accomplished, he will release the Company from these obligations.</p>	1,392,554	1,214,554

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$	2013 \$
<b>NOTE 12: CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONT.)</b>		
Chief Executive Officer Travel Expense Reimbursement		
The Chief Executive Officer is required to travel overseas as part of his duties. During the year The Chief Executive Officer incurred costs in relation to overseas travel which he has not been reimbursed. The Chief Executive Officer has agreed to defer payment of this amount until the first to occur of;		
The Company enters into a licensing agreement or assignment agreement for one of its products; and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; or		
There is change in ownership of more than 50% of the issued shares of the Company.		
The Company cumulatively raises \$1,000,000 in a year.		
In the event that the above is not accomplished, he will release the Company from these obligations.	22,380	22,380
Non-Executive Director Fees		
Messrs Woods, Moore and Bilkey, as non-executive directors of the Company are entitled to a fee for their services. Messrs Woods, Moore and Bilkey have agreed to defer payment of the balances owing until the first to occur of;		
The Company enters into a licensing agreement or assignment agreement for one of its products; and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; or		
There is change in ownership of more than 50% of the issued shares of the Company.		
In the event that the above is not accomplished, they will release the Company from these obligations.	478,683	528,683
<b>Estimates of the potential financial effect of contingent assets that may be received:</b>		
The Company is in the process of selling its Ibaconda patents for a total consideration of US\$500,000, which will only be received if the patents are renewed, recovered and the shareholders approve the transaction.	530,000	-

**ASIC Court Case**

The Company is defending litigation commence against it by the Australian Securities & Investments Commission (ASIC) in the Local Court of New South Wales for non-lodgement of certain financial reports. The Company expects to resolve that litigation with the lodgement of all the relevant reports by November 2018.

**NOTE 13: SEGMENT REPORTING****Primary Reporting — Business Segments**

	Development	
	2014 \$	2013 \$
<b>REVENUE</b>		
Segment income	1,160,449	202,517
<b>RESULT</b>		
Profit from continuing operations before income tax	455,680	96,594
Income tax benefit (expense)	-	-
Profit from continuing operations after income tax	455,680	96,594
Profit from discontinuing operations	-	-
Net profit attributable to members of the Company	455,680	96,594
<b>ASSETS</b>		
Segment assets	142,102	82,385
<b>LIABILITIES</b>		
Segment liabilities	706,947	1,102,910

As a business segment has not been discontinued, separate segment reporting between continuing and discontinuing operations is not required.

**Accounting Policies**

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

**Business and Geographical Segments****Business segments**

The principal activity of the Company was that of the development and commercialisation of therapies for gastrointestinal diseases and disorders.

**Geographical segments**

The Company operates from Sydney, New South Wales, Australia.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 14: CASH FLOW INFORMATION	2014 \$	2013 \$
<b>a. Reconciliation of Cash</b>		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash on hand	-	-
Cash at bank	949	52,409
	949	52,409
<b>b. Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after Income Tax</b>		
Profit from ordinary activities after income tax	455,680	96,594
Non-cash flows in loss from ordinary activities:		
— Movements in employee provisions	-	-
Changes in assets and liabilities		
— (Increase) in receivables	(111,178)	23,170
— (Decrease)/increase in payables	2,534	63,340
Cash flows from operations	347,036	183,104

## NOTE 15: EVENTS AFTER THE BALANCE SHEET DATE

The following events after balance date have occurred in relation to the Company:

- on 8 March 2016 Mr Trevor Moore passed away and cease to be a director of the Company;
- on 7 June 2018 Mr Patrick McLean resigned as a director and as an employee of the Company..

## NOTE 16: FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable and borrowings.

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

	Note	2014 \$	2013 \$
<b>Financial Assets</b>			
Cash and cash equivalents	6	949	52,409
Loans and receivables	7	141,153	29,976
		142,102	82,385
<b>Financial Liabilities</b>			
Financial liabilities at amortised cost			
— Trade and other payables	8	94,273	91,740
— Borrowings	9	578,402	976,898
		672,675	1,068,638

The Audit Committee has been delegated responsibility by the Board of Directors for, amongst other issues, monitoring and managing financial risk exposures of the Company. The Audit Committee monitors the Company's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counter party credit risk, currency risk, financing risk and interest rate risk. The Audit Committee meets on a periodic basis and minutes of the Audit Committee are reviewed by the Board.

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 16: FINANCIAL RISK MANAGEMENT (CONTINUED)

**Specific Financial Risk Exposures and Management**

The main risk the Company is exposed to through its financial instruments is liquidity risk.

**a. Credit risk**

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

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that members and counterparties to transactions are of sound credit worthiness.

*Credit risk exposures*

The Company is not exposed to any material credit risk.

**b. Liquidity risk**

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

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- only investing surplus cash with major financial institutions; and

**c. Market risk***(i) Interest rate risk*

Exposure to interest rate risk arises on interest earned on cash equivalents only, and is considered immaterial.

*(ii) Price risk*

The Company is not exposed to price risk.

**Financial liability and financial assets maturity analysis**

Cash flow realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial liabilities due for payment</b>								
Trade and other payables (excluding est. annual leave)	94,273	91,740	-	-	-	-	94,273	91,740
Financial liabilities*	-	-	578,402	475,000	-	501,898	578,402	976,898
Total contractual outflows	94,273	91,740	578,402	475,000	-	501,898	672,675	1,068,638
Total expected outflows	94,273	91,740	578,402	475,000	-	501,898	672,675	1,068,638
<b>Financial assets — cash flows realisable</b>								
Cash assets	949	52,409	-	-	-	-	949	52,409
Loans and receivables	141,153	29,976	-	-	-	-	141,153	29,976
Total anticipated inflows	142,102	82,385	-	-	-	-	142,102	82,385
Net (outflow)/inflow on financial instruments	47,829	(9,355)	(578,402)	(475,000)	-	(501,898)	(530,573)	(986,253)

\* Realisation in 1 to 5 Years is a conservative estimate based on management expectations. Management are not aware of any of the payment events noted in Note 9a being likely to occur within the coming twelve months.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 16: FINANCIAL RISK MANAGEMENT (CONTINUED)

**Net Fair Values****Fair value estimation**

The fair values of financial assets and financial liabilities are equal to their carrying value in the balance sheet.

The fair values have been determined based on the following methodologies:

- (i) Cash and cash equivalents, trade and other receivables and trade and other payables are short term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables excludes amounts provided for relating to annual leave which is not considered a financial instrument.

**Sensitivity analysis**

The RAC considers that there are no material market risks requiring sensitivity analysis to be performed.

## NOTE 17: RELATED PARTY TRANSACTIONS

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

Transactions and balances with related parties during the year were as follows:

Related party (relationship)	Transaction	Movement		Amount owed (to)/from related party	
		2014 \$	2013 \$	2014 \$	2013 \$
Centre for Digestive Diseases Pty Ltd (Common control)	Loan	(12,504)	(134,273)	(575,921)	(563,417)
Professor Thomas Borody (Director)	Loan	193,000	-	(1,437)	(194,437)
Patrick McLean (Director)	Loan	68,000	-	-	(68,000)
Chris Bilkey (Director)	Loan	50,000	-	(522)	(50,522)
Richard Woods (Retired Director)	Loan	100,000	-	-	(100,000)
Trevor Moore (Retired Director)	Loan	-	-	(522)	(522)

The loans with the related parties are interest free and have no fixed repayment date.

**Director related entity**

The Company occupies offices located at the Centre for Digestive Diseases, a related entity of Professor Thomas Borody. No rent is being paid for the use of these offices.

## NOTE 18: ECONOMIC DEPENDENCY

The Company is economically and financially dependent upon Professor Borody and Centre For Digestive Diseases Pty Ltd for funding.

## NOTE 19: COMPANY DETAILS

The registered office of the Company is:

Ground Floor, 44 East Street  
Five Dock New South Wales 2046

The principal place of business of the Company is:

Ground Floor, 44 East Street  
Five Dock New South Wales 2046

These notes form part of the financial statements

**DIRECTORS' DECLARATION**


The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 32 to 43, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
  - b. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the Company;
2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



**Professor Thomas J. Borody**  
Director



**Mr Chris Bilkey**  
Director

Dated this 23<sup>rd</sup> day of November 2018



## INDEPENDENT AUDIT REPORT TO THE SHAREHOLDERS OF GIACONDA LIMITED

### REPORT ON THE FINANCIAL REPORT

#### OPINION

We have audited the accompanying financial report of Giaconda Limited (the Company), which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes 1 to 19, comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company.

In our opinion:

(a) the accompanying financial report of the Company is in accordance with the Corporations Act 2001, including:

- I. giving a true and fair view of the Company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- II. complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

#### BASIS FOR OPINION

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. Our responsibilities under those standards are further described in the Auditor's responsibility section of our report. We are independent of the Company in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### **MATERIAL UNCERTAINTY REGARDING GOING CONCERN**

Without modifying our opinion, we draw your attention to the following matter. As a result of the matters disclosed in Note 1a) "Ongoing Viability and Going Concern" of the financial report, there is a significant material uncertainty as to whether the Company can continue as a going concern and therefore will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The ability of the Company to continue as a going concern is dependent upon its ability to obtain receipt of US\$500,000 for the sale of Ibaconda patents, obtain receipt of royalties from patent sales by Salix and obtaining financial support from related party lenders.

#### **OTHER INFORMATION**

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2014, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **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 Australia Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparations of the financial report that give a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Australian Accounting Standards AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## **AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL REPORT**

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **REPORT ON THE REMUNERATION REPORT**

We have audited the Remuneration Report included the Directors' Report on pages 15 to 17 for the year ended 30 June 2014. 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 with Australian Auditing Standards.

#### **OPINION**

In our opinion, the Remuneration Report of Giaconda Limited for the year ended 30 June 2014, complies with Section 300A of the Corporations Act 2001.

#### **RESPONSIBILITIES**

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 Australia Auditing Standards.

A handwritten signature in black ink that reads 'Walker Wayland NSW'.

**Walker Wayland NSW**

**Chartered Accountants**

A handwritten signature in black ink that reads 'Wali Aziz'.

**Wali Aziz**

**Partner**

Dated this 23<sup>rd</sup> day of November 2018, Sydney

## SHAREHOLDERS' INFORMATION

As explained in the Directors' Report, the Company was delisted from the Australian Securities Exchange on 1 August 2013. Whilst the Company is no longer required comply with the ASX Listing Rules on and from that date, the Company considers it good practice to continue to disclose the information which the ASX requires listed companies to include in their annual reports.

Set out below is additional information about the Company's shareholders which is not disclosed elsewhere in this report.

### 1. Number of holders of each class of equity security and the voting rights attached as the date of this Annual Report

Class of Security	No. of Holders	Voting Rights Attached
Ordinary shares	632	Each shareholder is entitled to one vote per share held
Unlisted options	1	

### 2. Distribution of fully paid ordinary shareholders and option holders as at the date of this Annual Report

Range of Holding	Fully paid ordinary shares
1 - 1,000	15
1,001 - 5,000	275
5,001 – 10,000	136
10,001 – 100,000	163
100,001 - over	43
	<b>632</b>

### 3. Holders of non-marketable parcels as at the date of this Annual Report

Holders of non-marketable parcels are deemed to be those who shareholding is valued at less than \$500. Based on the last trading price of 0.3 cents per share of the Company's ordinary shares prior to them being removed from the official list of the Australian Securities Exchange on 1 August 2013:

- There are 599 shareholders who hold less than a marketable parcel shares (representing approximately 95% of all shareholders).
- The number of fully paid ordinary shareholdings held in less than marketable parcels is 10,333,347 (being approximately 13.2% of the total issued capital of the Company).

### 4. Substantial shareholders as at the date of this Annual Report

Shareholder	Number of shares held	Percentage
Professor Thomas Borody	49,400,000	63.03%

**5. 20 largest shareholders of ordinary shares as at the date of this Annual Report**

	<b>Shareholder</b>	<b>Number of shares held</b>	<b>Percentage</b>
1	Professor Thomas Borody	49,400,000	63.03%
2	Ricidal Consultants Pty Ltd	3,600,000	4.59%
3	Mr Chris Bilkey	2,000,000	2.55%
4	Professor Thomas Borody and Mrs Karen Borg	1,220,000	1.56%
5	TM Ventures Pty Ltd	1,083,177	1.38%
6	Mr Stephen Bronar	917,624	1.17%
7	Werner Heyn Pty Ltd	867,212	1.11%
8	Security Works Australia Pty Ltd	847,754	1.08%
9	Biotec International Pty Ltd	762,000	0.97%
10	Mr Richard Woods	651,988	0.83%
11	Mr Vincent Sweeney	651,650	0.83%
12	Mr Alister Woods and Mr Richard Woods	603,000	0.77%
13	Bond Street Custodians Limited	597,425	0.76%
14	Professor Thomas Borody	492,714	0.63%
15	Mr Robert Mostyn	375,000	0.48%
16	Mr Dariusz Polak	339,500	0.43%
17	Poluru Pty Ltd	300,000	0.38%
18	McFathom Developments Pty Ltd	290,000	0.37%
19	Dobrem Pty Ltd	286,400	0.37%
20	Bond Street Custodians Limited	280,000	0.36%
	<b>Totals for Top 20</b>	<b>65,565,444</b>	<b>83.65%</b>

**6. 20 largest option holders as at the date of this Annual Report**

There are no option holders as at the date of this Annual Report.

**7. Restricted Securities - Employee Loan Share Plan**

There are no restricted securities on issue. The Company does not have any employee loan share plan in place.

**8. Share buy-backs**

There is no current buy-back in place.

## **CORPORATE DIRECTORY**

Giaconda Limited  
ABN 68 108 088 517  
**[www.giacondaltd.com](http://www.giacondaltd.com)**

### **Directors**

Professor Thomas Borody  
Mr Chris Bilkey

### **Company Secretary**

Mr Marcus Connor

### **Executive Management**

Professor Thomas Borody, Chief Medical Officer

### **Registered Office**

Ground Floor  
44 East Street  
Five Dock  
New South Wales 2046  
Australia  
Email: [info@giacondaltd.com](mailto:info@giacondaltd.com)

### **Share Registry**

Ground Floor  
44 East Street  
Five Dock  
New South Wales 2046  
Australia  
Email: [info@giacondaltd.com](mailto:info@giacondaltd.com)