



GIACONDA PTY LIMITED

A.B.N. 68 108 088 517

**Financial Report
For the Period Ended 30 June 2004**



**BKR Walker Wayland
(NSW Partnership)
Chartered Accountants**

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE PERIOD ENDED 30 JUNE 2004

	Note	2004 \$
Revenue from ordinary activities	2	<u>113</u>
Financing expenses		(1,264)
Administration expenses		<u>(5,971)</u>
Loss from ordinary activities before income tax expense	3	(7,122)
Income tax expense relating to ordinary activities	4	-
Net loss from ordinary activities after income tax expense attributable to members of the Company		<u>(7,122)</u>
Total changes in equity other than those resulting from transactions with owners as owners	10	<u>(7,122)</u>

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004

	Note	2004 \$
CURRENT ASSETS		
Cash	5	89,660
Receivables	6	6000
Prepayments		60,000
TOTAL CURRENT ASSETS		<u>155,660</u>
TOTAL NON-CURRENT ASSETS		<u>-</u>
TOTAL ASSETS		<u>155,660</u>
CURRENT LIABILITIES		
Payables		3,130
Interest bearing liabilities	7	142,151
Other liabilities	8	17,500
TOTAL CURRENT LIABILITIES		<u>162,781</u>
TOTAL NON-CURRENT LIABILITIES		<u>-</u>
TOTAL LIABILITIES		<u>162,781</u>
NET ASSETS (LIABILITIES)		<u>(7,121)</u>
EQUITY		
Issued capital	9	1
Retained profits (accumulated losses)	10	(7,122)
TOTAL EQUITY (DEFICIENCY)		<u>(7,121)</u>

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2004

	Note	2004 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees		(70,105)
Interest received		113
Net cash used in operating activities	11(b)	<u>(69,992)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares or shares to be issued		17,501
Proceeds from borrowings		142,151
Net cash provided by financing activities		<u>159,652</u>
Net increase in cash held		89,660
Cash at the beginning of the financial period		-
Cash at the end of the financial period	11(a)	<u>89,660</u>

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2004

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

- a. This financial report is a special purpose financial report prepared for use by directors and members of the Company. The directors have determined that the Company is not a reporting entity.

The financial report has been prepared in accordance with the requirements of the following Australian Accounting Standards:

- AAS 5: Materiality
AAS 8: Events Occurring After Reporting Date
AAS 22 Related Party Disclosures
AAS 28 Statement of Cash Flows

No other Australian Accounting Standards, Urgent Issues Group Consensus Views or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The financial report is prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following specific accounting policies, have been adopted in the preparation of this report:

- b. **Ongoing Viability of the Company**

At balance date the Company had a deficiency in net assets of \$7,121.

The Company is at a stage of its development where the cash flows generated from operations do not yet cover the operating costs that are incurred. The Directors have reviewed the Company's financial position and its ability to continue operations and are of the opinion that, based on the Company's proposed capital raising activities, the Company remains a viable operation.

Any inability to obtain these additional cash flows may have a material adverse effect on the Company's ability to continue as a going concern.

- c. **Income Tax**

The Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income, are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

- d. **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 Statement of Financial Position and other items in the Statement of Cash Flows are shown inclusive of GST.

These notes form part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2004

e. Revenue

Interest revenue is recognised on a proportional basis taking into account interest rates applicable to financial assets

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

f. Receivables

All debtors are recognised at the amounts receivable as they are due for settlement no more than 90 days from the date of recognition.

g. Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 60 days.

h. Comparatives

For the financial period to 30 June 2004 there are no comparatives available as the company was incorporated on 23 February 2004.

2004
\$

NOTE 2: REVENUE FROM ORDINARY ACTIVITIES

Other Revenues:

Revenue from outside the operating activities

Interest received – third parties	113
Total revenue	<u>113</u>

NOTE 3: OPERATING LOSS FROM ORDINARY ACTIVITIES

The operating loss from ordinary activities before income tax is arrived at after charging:

Borrowing costs	
- related parties	<u>1,264</u>

NOTE 4: INCOME TAX

The prima facie tax payable on loss from ordinary activities is reconciled to the income tax expense as follows:

Prima facie tax payable on loss from ordinary activities before income tax at 30%	(2,137)
Income tax losses carried forward not recognised as a benefit	<u>2,137</u>
Income tax expense attributable to operating loss	<u>-</u>

NOTE 5: CASH

Cash at bank	72,058
Cash held in trust	17,501
Cash on hand	<u>101</u>
	<u>89,660</u>

These notes form part of the financial statements

GIACONDA PTY LIMITED
ABN 68 108 088 517

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2004

	2004 \$
NOTE 6: RECEIVABLES	
Other debtors	<u>6,000</u>
NOTE 7: INTEREST BEARING LIABILITIES	
Unsecured loan from related party	<u>142,151</u>
NOTE 8: OTHER LIABILITIES	
Funds held in trust	<u>17,500</u>
NOTE 9: CONTRIBUTED EQUITY	
1 fully paid ordinary share	<u>1</u>
NOTE 10: RETAINED PROFITS	
Accumulated losses at the beginning of the financial period	-
Net loss attributable to members of the Company	<u>(7,122)</u>
Retained profits (accumulated losses) at the end of the financial period	<u>(7,122)</u>
NOTE 11: CASH FLOW INFORMATION	
a. Reconciliation of cash	
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 at bank	72,058
Cash held in trust	17,501
Cash on hand	101
	<u>89,600</u>
b. Reconciliation of cash flows from operations with operating loss after income tax	
Operating loss after income tax	(7,122)
Changes in assets and liabilities	
- Increase in receivables	(6,000)
- Increase in prepayments	(60,000)
- Increase in payables	3,130
Net cash outflows from operating activities	<u>(69,992)</u>

These notes form part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2004

2004
\$

NOTE 12: RELATED PARTY DISCLOSURE

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

Transactions with related parties:

Director related entities

Management fees paid to Rical Consultants Pty Limited, a Director related entity.

60,000

Directors

Short term unsecured loan advanced from Dr Thomas Borody, a Director, outstanding at period end, with interest charged at the rate of 6.55% p.a.

142,151

Interest paid or accrued on loan advanced from Dr Thomas Borody, a Director.

1,264

NOTE 13: EVENTS SUBSEQUENT TO BALANCE DATE

After balance date, the Company raised capital funds to the sum of \$1,750,000 in ordinary shares issued to new investors.

The Company purchased intellectual property from Dr Thomas Borody, independently valued at \$400,000. The consideration for this asset was 54,999,999 ordinary shares valued at \$400,000.

To the Directors' knowledge, with the exception of the above, no other events have occurred subsequent to reporting date which have or are likely to have a material effect on the operations of the Company.

NOTE 14: COMPANY DETAILS

The registered office of the Company is:

144 Great North Road

Five Dock NSW 2046

The principal place of business is:

Suite 1307 Level 13

307 Pitt Street

Sydney NSW 2000

These notes form part of the financial statements

DIRECTORS' DECLARATION

The directors have determined that the Company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 1 to 7 present fairly the Company's financial position as at 30 June 2004 and its performance for the period ended on that date in accordance with the accounting policies described in Note 1 to the financial statements;
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:

Dr Thomas Borody
Director



Dated this

7th

day of

April

2005



BKR Walker Wayland
(NSW Partnership)
Chartered Accountants

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF GIACONDA PTY LIMITED

Scope

We have audited the attached financial report of Giaconda Pty Limited for the financial period ended 30 June 2004 as set out on pages 1-8. The Company's Directors are responsible for the financial report and have determined that the accounting policies used and described in Note 1 to the financial statements which form part of the financial report are consistent with the financial reporting requirements of the Company's constitution and are appropriate to meet the needs of the members.

The financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting requirements under the Company's constitution. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the accounting policies described in Note 1, so as to present a fair view which is consistent with our understanding of the Company's financial position, and performance as represented by the results of its operations and its cash flows. These policies do not require the application of all Accounting Standards and other mandatory professional reporting requirements in Australia.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Giaconda Pty Limited presents fairly in accordance with the accounting policies described in Note 1 to the financial statements, the financial position Giaconda Pty Limited as at 30 June 2004 and the results of its operations and its cash flows for the period ended 30 June 2004.

BKR WALKER WAYLAND
(NSW PARTNERSHIP)
Chartered Accountants

T F TYLER
Partner

Dated this the 29 day of April 2005