Appendix 4E
Preliminary Final Report

Sydney, Australia. 31 August 2010. Giaconda Limited (ASX: GIA), the gastroenterology drug development Company, today announced the release of its preliminary **unaudited** results for the year ending 30 June 2010 under listing rule 4.3A.

Reporting Period

Current reporting period:	01 July 2009 to 30 June 2010
Previous corresponding period:	01 July 2008 to 30 June 2009

Results for Announcement to the Market

	2010	2009	Change $	Change %
Revenue from ordinary activities	13	6,690	(6,677)	99.81%
Loss from ordinary activities after tax attributable to members	(1,236,113)	(1,092,712)	(143,401)	13.12%
Net loss attributable to members	(1,236,113)	(1,092,712)	(143,401)	13.12%

No dividends have been declared or are expected to be declared.

Key Financial Points

- The operating loss of $1,236,113 (2009: $1,092,712) includes impairment on assets held for sale of $1,107,123 (2009: $848,895)

Net Tangible Assets

Security	2010	2009
Fully paid ordinary shares	(0.006)	0.011

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
INCOME			
Revenue from ordinary activities	3	13	6,690
EXPENSES			
Personnel		(41,487)	(35,033)
Finance and legal		(42,011)	(130,158)
Administration		(118,806)	(266,808)
Research and development		(99,423)	(38,056)
		(301,724)	(470,055)
Loss from continuing operations before income tax benefit(expense)	4	(301,711)	(463,365)
Income tax benefit (expense) relating to continuing operations	5	258,131	257,906
Loss from continuing operations after income tax benefit (expense) attributable to members of the Company		(43,580)	(205,459)
Loss from discontinuing operations	2	(1,192,533)	(887,253)
Loss for the year		(1,236,113)	(1,092,712)
Other comprehensive income:		-	-
Total comprehensive loss for the year		(1,236,113)	(1,092,712)
Basic earnings per share	8		
Overall operations		(0.02)	(0.01)
Continuing operations		(0.00)	(0.00)
Discontinuing operations		(0.02)	(0.01)
Diluted earnings per share	8		
Overall operations		(0.02)	(0.01)
Continuing operations		(0.00)	(0.00)
Discontinuing operations		(0.02)	(0.01)

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	2010 $	2009 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	18,256	33,965
Trade and other receivables	10	-	11,904
Assets held for sale	2	554,015	1,500,000
TOTAL CURRENT ASSETS		572,271	1,545,869
NON-CURRENT ASSETS			
Intangible assets	11	199,725	390,372
Deferred tax assets	14	-	-
TOTAL NON-CURRENT ASSETS		199,725	390,372
TOTAL ASSETS		771,996	1,936,241
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	15,727	79,012
Financial liabilities	13	789,437	447,167
Provisions	15	34,272	21,695
TOTAL CURRENT LIABILITIES		839,436	547,874
NON-CURRENT LIABILITIES			
Deferred tax liabilities	14	348,807	606,938
TOTAL NON-CURRENT LIABILITIES		348,807	606,938
TOTAL LIABILITIES		1,188,243	1,154,812
NET ASSETS (LIABILITIES)		(416,247)	781,429
EQUITY			
Contributed equity	16	7,390,832	7,352,395
Accumulated losses		(7,807,079)	(6,570,966)
TOTAL EQUITY (DEFICIENCY)		(416,247)	781,429

The accompanying notes form part of these financial statements.

CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	$	$	$	$
	Contributed Equity	**Accumulated Losses**	**Options Reserve**	**Total**
Balance at *01.07.08*	7,352,395	(5,478,254)	-	1,874,141
Losses attributable to members of parent entity	-	(1,092,712)	-	(1,092,712)
Sub-total	-	(1,092,712)	-	(1,092,712)
Balance at *30.06.2009*	7,352,395	(6,570,966)	-	781,429
Shares issued during the year	38,437	-	-	38,437
Losses attributable to members of parent entity	-	(1,236,113)	-	(1,236,113)
Sub-total	38,437	(1,236,113)	-	(1,197,676)
Balance at *30.06.2010*	7,390,832	(7,807,079)	-	(416,247)

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Note	**2010 $**	**2009 $**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations		-	5,280
Payments to suppliers and employees		(381,429)	(448,645)
Interest received		13	1,410
Net cash used in operating activities	19b	(381,416)	(441,955)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for intangible assets		-	(49,254)
Net cash used in investing activities		-	(49,254)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares or shares to be issued		23,437	-
Proceeds from borrowings		342,270	243,931
Net cash from financing activities		365,707	243,931
NET DECREASE IN CASH HELD		(15,709)	(247,278)
Cash at beginning of year		33,965	281,243
CASH AT END OF YEAR	19a	18,256	33,965

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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

The financial statements have been prepared on a going concern basis.
At balance date the Company had an excess of current liabilities over current assets, and cash reserves at the end of the year are insufficient to support the short and long term operations of the Company.
With reference to Note 20, US$500,000 has been subsequently received by the company following settlement of the Asset Purchase Agreement with Redhill Biopharma Limited.
The ability of the Company to continue as a going concern depends upon its ability to raise additional equity funding or receive the support of its existing shareholders. Any inability to raise equity funding or receive support from its existing shareholders may have a material adverse effect on the Company's ability to 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 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) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Office furniture and equipment	20% to 25%
Computer equipment	25%
Apartment furniture	20% to 25%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: BASIS OF PREPARATION (CONTINUED)

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(e) 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.

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 group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

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.

Giaconda Limited designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as the group's risk management objective and strategy for undertaking various hedge transactions is documented.

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items, are also documented.

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 group 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 group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: BASIS OF PREPARATION (CONTINUED)

(f) 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.

(g) 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.

(h) 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.

(i) 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).

(j) 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.

(k) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of the Company is measured using the primary economic environment in which the Company operates. The financial statements are presented in Australian dollars which is the functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

(l) Comparative Figures

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

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.

Key Estimates – Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group 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.

NOTE 1: BASIS OF PREPARATION (CONTINUED)

(m) **Adoption of New and Revised Accounting Standards**

During the current year the Company adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Sienna Cancer Diagnostics Limited.

AASB 101: Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Company's financial statements.

Disclosure impact

Terminology changes — the revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity — the revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income — the revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Company's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

n. 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. The Company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Company follows:

- AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

  These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Company has not yet determined the potential impact on the financial statements.

  The changes made to accounting requirements include:

  — simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;

  — simplifying the requirements for embedded derivatives;

  — removing the tainting rules associated with held-to-maturity assets;

  — removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;

  — allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and

  — reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:

    a. the objective of the entity's business model for managing the financial assets; and

    b. the characteristics of the contractual cash flows.

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: BASIS OF PREPARATION (CONTINUED)

- AASB 2009–4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

  These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Company.

- AASB 2009–8: Amendments to Australian Accounting Standards — Company Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments clarify the accounting for Company cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Company.

- AASB 2009–9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Company.

- AASB 2009–10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

  These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Company.

- AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends
  AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Company.

- AASB 2009–13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

  This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Company.

- AASB 2009–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

  This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Company.

The Company does not anticipate the early adoption of any of the above Australian Accounting Standards.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 2: ASSETS HELD FOR SALE

The directors have resolved that the most likely method of attaining value for the shareholders will be the disposal of the intellectual property relating to Myoconda, Heliconda and Picoconda by way of a sale. The sale was finalised on 31 August 2010 upon receipt of US$500,000 as referred to in Note 20.

AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* requires assets that are classified as held for sale to be carried at the lower of carrying amount and fair value less costs to sell. As a result, the Company has recognised an impairment loss of $1,107,123 (2009: $848,895) in re-stating the assets to their expected recoverable value at 30 June 2010.

Financial information relating to the discontinued operations is set out below.

Giaconda Limited – Summary of assets held for sale with associated liabilities as at 30 June 2010

	Note	2010 $	2009 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		-	-
Trade and other receivables		-	-
Other current assets		-	-
Assets held for sale		-	-
TOTAL CURRENT ASSETS		-	-
NON-CURRENT ASSETS			
Property, plant and equipment		-	-
Intangible assets	11	554,015	1,500,000
Deferred tax assets		-	-
TOTAL NON-CURRENT ASSETS		554,015	1,500,000
TOTAL ASSETS		554,015	1,500,000
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		-	-
Financial liabilities		-	-
Provisions		-	-
TOTAL CURRENT LIABILITIES		-	-
NON-CURRENT LIABILITIES			
Deferred tax liabilities		-	-
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		-	-
NET ASSETS		554,015	1,500,000

Giaconda Limited – The financial performance of the discontinuing operations which is included in the income statement is as follows:

	2010 $	2009 $
INCOME		
Revenue from ordinary activities	-	-
EXPENSES		
Personnel	-	-
Finance and legal	-	-
Administration	(1,116,303)	(871,731)
Research and development	(76,230)	(15,522)
	(1,192,533)	(887,253)
Loss from discontinuing operations	(1,192,533)	(887,253)

Giaconda Limited – The net cash flows of the discontinuing operations which have been incorporated into the statement of cash flows are as follows:

Net cash used in operating activities	-	-
Net cash used in investing activities	(76,230)	(45,821)
Net cash from financing activities	-	-
Net cash decrease in cash generated by the discontinuing operations	(76,230)	(45,821)

These notes form part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 3: REVENUE FROM CONTINUING OPERATIONS	2010 $	2009 $
Continuing operations		
— Grants received	-	5,280
— Interest received from financial institutions	13	1,410
Total Revenue	13	6,690

NOTE 4: LOSS FROM CONTINUING OPERATIONS		
Loss from continuing operations before income tax expense has been determined after debiting (crediting):		
Expenses		
Depreciation of property, plant and equipment	-	601
Amortisation of leased plant and equipment	-	122
Amortisation of intangible assets	20,329	51,688
Rental expense on operating leases		
- minimum lease payments	-	4,787
Research and development costs	99,423	38,056
Realised foreign exchange movements	-	(67)
Unrealised foreign exchange movements	-	7
Movement in Options Reserve transferred to personnel expenses in income statement (refer note 21)	-	-

NOTE 5: INCOME TAX BENEFIT (EXPENSE)		
a. The components of the tax benefit (expense) comprise:		
Current tax	-	-
Deferred tax (Note 14)	258,131	257,906
	258,131	257,906
b. The prima facie tax on loss from ordinary activities before income tax is reconciled as follows:		
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2009: 30%)	448,273	405,185
Add (less):		
Tax effect of:		
— tax losses not brought to account as a deferred tax asset	96,918	(237,240)
— tax losses brought to account as a deferred tax asset	-	-
— non-deductible amortisation	(340,990)	(15,943)
— other non-allowable items	(43,035)	(2)
— other allowable deductions	100,738	105,906
— movement in allowances and provisions	(3,773)	-
	(190,142)	(147,279)
Income tax attributable to Company	258,131	257,906
The applicable weighted average effective tax rates are as follows:	17.3%	19.1%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 6: 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 2010 unless otherwise stated.

b. **Compensation Practices**

The Board's policy for determining the nature and amount of compensation of key management for the group is as follows:

The compensation structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement. Key management personnel are paid up to 20 weeks of their salary in the event of redundancy, depending on their years of service.

The Company seeks to emphasise payment for results through providing various cash bonus reward schemes, specifically, the incorporation of incentive payments based on performance against targets contained in the approved business plan. These targets relate to the product development, product licensing and Company administration. This scheme provides management with a performance target focused upon the necessary steps to achieve approval and sale of Giaconda products in the marketplace and to fulfil its administration requirements.

Bonuses included per Note 6(d) are based on these targets. The objective of the reward scheme is to both reinforce the short- and long-term goals of the Company and to provide a common interest between management and shareholders.

The employment conditions of the Chief Executive Officer, Patrick McLean and other key management personnel are formalised in contracts of employment. Other than the Chief Medical Officer, Professor Thomas Borody, all other key management personnel are permanent employees of Giaconda Limited. Professor Thomas Borody is engaged to carry out the duties and responsibilities of Chief Medical Officer for the Company under a Services Agreement with the Centre for Digestive Diseases Pty Limited. The fixed five-year contract, which commenced on 1 January 2006, contains no incentive component.

The employment contracts of the other key executives stipulate a range of termination periods from 1 to 6 months, depending on the time of service. The Company may terminate an employment contract without cause by providing written notice for the appropriate termination period or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment of up to 20 weeks of their salary, depending on their years of service. Termination payments are generally not payable on resignation (other than payment in lieu of notice) or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time. The employee may terminate the employment contract without cause by providing written notice for the appropriate termination period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

c. **Key Management Personnel Compensation**

Key Management Person	Short-term Benefits				Post- employment Benefits
	Cash & salary	Performance Bonuses	Non-cash benefit	Other	Superannuation
	$	$	$	$	$
Financial Year 30 June 2010					
Capacity as Director					
Trevor Moore	48,000*	-	-	-	-
Christopher Robert Bilkey	48,000*	-	-	-	-
Thomas Julius Borody	60,000*	-	-	-	-
Capacity as other key management personnel					
Patrick Laughlin McLean	150,000*	-	-	-	-
Thomas Julius Borody	170,000**	-	-	-	-
	476,000	-	-	-	-
Financial Year 30 June 2009					
Capacity as Director					
Richard Andrew Wade Woods	27,879***	-	-	-	113
Anthony Ronald Moon	26,696***	-	-	-	113
Trevor Moore	48,000***	-	-	-	113
Christopher Robert Bilkey	21,304***				
Thomas Julius Borody	60,000*	-	-	-	-
Capacity as other key management personnel					
Patrick Laughlin McLean	148,934*	-	-	82,500*	-
Thomas Julius Borody	170,000**	-	-	-	-
	502,813	-	-	82,500	339

* 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.

*** Of this amount, $3,750 was paid in cash, the remainder ($120,129) has been taken up as a contingent liability.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

d. **Options and Rights Holdings**

Number of Options Held by Key Management Personnel

	Balance 1.07.2009	Granted as Compensation	Options Expired	Net Change* Other
Patrick Laughlin McLean	1,250,000	-	1,250,000	-
Total	1,250,000	-	1,250,000	-

The Net Change Other reflected above includes those options that are held by former Key Management Personnel.

	Balance 30.6.2010	Total Vested 30.6.2010	Total Exercisable 30.6.2010	Total Unexercisable 30.6.2010
Patrick Laughlin McLean	-	-	-	-
Total	-	-	-	-

e. **Shareholdings**

Number of Shares held by Key Management Personnel

	Balance 1.7.2009	Received as Compensation	Options Exercised	Net Change Other*	Balance 30.6.2010
Trevor Moore	253,609	-	-	-	253,609
Thomas Julius Borody	50,620,000	-	-	492,714	51,112,714
Patrick Laughlin McLean	492,714	-	-	(492,714)	-
Total	51,366,323	-	-	-	51,366,323

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

NOTE 7: AUDITORS' REMUNERATION	2010 $	2009 $
Remuneration of the auditor for:		
- auditing or reviewing the financial report	21,300	21,000
- accounting services provided by related practice of auditor	10,000	22,475

NOTE 8: EARNINGS PER SHARE		
a. Reconciliation of earnings to loss		
Loss	(1,236,113)	(1,092,712)
Earnings used to calculate basic EPS	(1,236,113)	(1,092,712)
Earnings used in the calculation of dilutive EPS	(1,236,113)	(1,092,712)
	No.	**No.**
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	75,036,005	73,498,505
Weighted average number of options outstanding	-	-
Weighted average number of converting preference shares on issue	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	75,036,005	73,498,505

These notes form part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 9: CASH AND CASH EQUIVALENTS	2010 $	2009 $
Cash at bank	18,256	33,965
Reconciliation of cash		
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	18,256	33,965

NOTE 10: TRADE & OTHER RECEIVABLES		
Other receivables - GST	-	11,904

NOTE 11: INTANGIBLE ASSETS		
Continuing Operations		
Intellectual property at cost	80,000	80,000
Less accumulated amortisation	(28,204)	(16,814)
	51,796	63,186
Patents and trade marks at cost	224,465	224,465
Less accumulated amortisation	(93,899)	(84,961)
	130,566	139,505
Development costs	17,363	17,363
Less accumulated amortisation	-	-
	17,363	17,363
	199,725	220,053
Discontinuing Operations		
Intellectual property at cost	-	160,000
Less accumulated amortisation	-	(28,905)
	-	131,095
Patents and trade marks at cost	-	47,040
Less accumulated amortisation	-	(7,816)
	-	39,224
	-	170,319
	199,725	390,372

Continuing Operations

	Intellectual Property	Patents and Trade Marks	Development Costs	Total
	$	$	$	$
Opening value as at 01 July 2009	63,186	139,505	17,363	220,053
Additions	-	-	-	-
Amortisation charge	(11,390)	(8,939)	-	(20,328)
Closing value at 30 June 2010	51,796	130,566	17,363	199,725

Discontinuing Operations

	Intellectual Property	Patents and Trade Marks	Development Costs	Total
	$	$	$	$
Opening value as at 01 July 2009	240,900	163,353	1,265,966	1,670,219
Additions	-	-	-	-
Amortisation charge	(2,891)	(6,190)	-	(9,081)
Impairment losses	-	-	(1,107,123)	(1,107,123)
Closing value at 30 June 2010	238,009	157,163	158,843	554,015

Intangible assets have finite useful lives. The current amortisation charges for intangible assets are included under administration in the income statement.

These notes form part of the financial statements

NOTE 11: INTANGIBLE ASSETS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 12: TRADE & OTHER PAYABLES	2010 $	2009 $
Trade payables	-	64,012
Sundry payables	727	-
Accrued expenses	15,000	15,000
	15,727	79,012

NOTE 13: FINANCIAL LIABILITIES	Note		
CURRENT			
Borrowing from related parties - non-interest bearing	13a	789,437	387,167
Other borrowings – interest bearing	13b	-	60,000
		789,437	447,167

13a. The loan from related parties is only repayable should one of the following events occur:

(i) 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.

(ii) The Company raises funds whether through debt or equity equal to or exceeding the cumulative amount of $5,000,000 in any financial year.

(iii) There is a change in the ownership of more than 50% of the issued shares of the Company.

(iv) The Company becomes insolvent or subject to any form of external administration other than for the purpose of corporate restructuring.

13b. A fixed and floating charge over the company's present and future interest in the assets of the company is held by the Lender.

NOTE 14: DEFERRED TAX ASSETS AND LIABILITIES	2010 $	2009 $
Deferred tax liabilities comprise:		
Capitalised development costs	(67,827)	335,738
Equity raising costs*	426,916	277,709
Deferred tax asset offset	(10,282)	(6,509)
	348,807	606,938
Deferred tax assets comprise:		
Provisions	10,282	6,509
Balance offset with deferred tax liability	(10,282)	(6,509)
	-	-

* The increase in the deferred tax liability from equity raising costs is in relation to the tax treatment of the expenditure incurred in listing the Company on the ASX.

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 $3,603,052. (2009: $3,080,673)

Reconciliations

i. **Gross Movements**

The overall movement in the deferred tax account is as follows:

	2010 $	2009 $
Opening balance	(606,938)	(864,844)
Charged to income statement	258,131	257,906
Closing balance	(348,807)	(606,938)

ii. **Deferred Tax Liabilities**

The movement in deferred tax liabilitiy for each temporary difference during the year is as follows:

	2010 $	2009 $
Opening balance	606,938	864,844
Credited to the income statement	(258,131)	(257,906)
Closing balance	348,807	606,938

These notes form part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 15: PROVISIONS		2010 $	2009 $
Employee benefits		34,272	21,695
a.	Aggregate employee entitlement liability	34,272	21,695
		No.	No.
b.	Number of employees at year end	1	1

Note 16: CONTRIBUTED EQUITY		2010 $	2009 $
75,036,005 (2009: 73,498,505) fully paid ordinary shares		7,390,832	7,352,395
a.	**Ordinary shares**	No.	No.
	At the beginning of reporting period	73,498,505	73,498,505
	Shares issued during the year		
	— issue of shares at $0.025 each	1,537,500	-
	At reporting date	75,036,005	73,498,505

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.

b. **Options**

i. For information relating to the Giaconda Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 21 Share-based Payments.

ii. For information relating to share options issued to key management personnel during the financial year, refer to Note 21 Share-based Payments.

iii. On 05 February 2010, 7,500,000 share options were granted to an interest bearing lender under a Subscription Deed dated 22 January 2010, to take up ordinary shares at the lower of $0.025 or 40% of the lowest issue price of the company shares issued during capital raisings during the period from 9am (Sydney time) on 01 January 2010 to and including 4pm (Sydney time) on 03 July 2012.

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 17: CONTINGENT LIABILITIES		
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
Non-Executive Director Fees		
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;		
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.	16,438	16,438

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 17: CONTINGENT LIABILITIES	2010 $	2009 $
Executive Director Fees 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 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.	270,000	210,000
Chief Executive Officer Incentive Payment 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; 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. 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.	188,400	188,400
Chief Executive Officer Living-Away-From-Home-Allowance Payment 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; 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 $5,000,000 in a year. In the event that the above is not accomplished, he will release the Company from these obligations.	222,354	222,354
Centre of Digestive Diseases 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; 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.	680,000	510,000
Chief Executive Officer Salary Payment The Chief Executive Officer is paid a salary under his employment contract. 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 $5,000,000 in a year. In the event that the above is not accomplished, he will release the Company from these obligations.	335,380	210,380
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

These notes form part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 17: CONTINGENT LIABILITIES	2010 $	2009 $
Non-Executive Director Fees		
Messrs Woods, Moon, Moore and Bilkey, as non-executive directors of the Company for the are entitled to a fee for their services. Messrs Woods, Moon, Moore and Bilkey have 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, they will release the Company from these obligations.	216,129	120,129

NOTE 18: SEGMENT REPORTING

Primary Reporting — Business Segments

	Development	
	2010 $	**2009 $**
REVENUE		
Segment income	13	6,690
RESULT		
Loss from continuing operations before income tax	(301,711)	(472,545)
Income tax benefit (expense)	258,131	257,906
Loss from continuing operations after income tax	(43,580)	(214,639)
Loss from discontinuing operations	(1,192,533)	(878,073)
Net loss attributable to members of the company	(1,236,113)	(1,092,712)
ASSETS		
Segment assets	771,996	1,936,241
LIABILITIES		
Segment liabilities	1,188,243	1,154,812

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. It will conduct clinical trials in the United Kingdom, Australia, Europe and North America.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 19: CASH FLOW INFORMATION		2010 $	2009 $
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 on hand	-	-
	Cash at bank	18,256	33,965
		18,256	33,965
b.	**Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after Income Tax**		
	Loss from ordinary activities after income tax	(1,236,113)	(1,092,712)
	Non-cash flows in loss from ordinary activities:		
	— Depreciation and amortisation of property, plant and equipment	-	723
	— Disposal of property, plant and equipment	-	23,952
	— Amortisation of intangibles	29,509	100,664
	— Impairment of intangibles	1,107,123	813,574
	— Movements in employee provisions	12,577	12,577
	— Shares issued for performance of services	15,000	-
	Changes in assets and liabilities, net of the effects of purchase and disposals of subsidiaries		
	— (Increase) decrease in receivables	11,904	(1,339)
	— Decrease in prepayments	-	20,374
	— Decrease in payables	(63,285)	(61,862)
	— Increase (decrease) in deferred tax liabilities	(258,131)	(257,906)
	Cash flows from operations	(381,416)	(441,955)

c. **Non-cash Financing and Investing Activities**

i. Share issue

600,000 shares were issued at $0.025 per share to a consultant as consideration for services provided.

NOTE 20: EVENTS AFTER THE BALANCE SHEET DATE

On 16 August 2010, the company entered into a Asset Purchase Agreement to sell its Myoconda, Heliconda and Picoconda patents to Redhill Biopharma Ltd for US$500,000 plus 7% of the net sales earned by Redhill from a commercialised treatment of 20% of sublicensing receipts after certain developmental costs have been deducted. The Agreement has been finalised and $US500,000 was received by the company prior to and on 31 August 2010.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 21: SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2010:

(i) On 4 May 2005, 1,250,000 share options were granted to the Chief Executive Officer under the Giaconda Limited Employee Share Option Plan to take up ordinary shares at an exercise price of $0.50 each. The options are exercisable as follows;

Tranche	Number of Options	Exercise Date
1	500,000	Immediately.
2	250,000	Not before date which Giaconda is quoted on the ASX.
3	250,000	Not before 1 July 2006.
4	250,000	Not before 1 July 2007.

The options hold no voting or dividend rights and are not transferable. The options expire 5 years from the date of grant. These options expired on 04 May 2010.

(ii) On 23 June 2005, 50,000 share options were granted to a “promoter” of the Giaconda Limited IPO under an Option Agreement dated 03 May 2005, to take up ordinary shares at an exercise price of $0.50 each. The options are exercisable as follows;

Tranche	Number of Options	Exercise Date
1	50,000	Not before date which Giaconda is quoted on the ASX

The options hold no voting or dividend rights and are not transferable. The options expire 5 years from the date which Giaconda Limited is quoted on the ASX. These options expired on 23 June 2010.

(iii) On 23 June 2005, 100,000 share options were granted to a “promoter” of the Giaconda Limited IPO under an Option Agreement dated 20 June 2005, to take up ordinary shares at an exercise price of $0.50 each. The options are exercisable as follows;

Tranche	Number of Options	Exercise Date
1	100,000	Not before date which Giaconda received regulatory approval of Myoconda in the United States

The options hold no voting or dividend rights and are not transferable. The options expire 5 years from the date which Giaconda Limited is quoted on the ASX. These options expired on 23 June 2010.

(iv) On 23 January 2006, 60,000 share options were granted to a substantial contributor to the development of Giaconda’s products under an Option Agreement dated 13 January 2006, to take up ordinary shares at an exercise price of $0.50 each. The options are exercisable as follows;

Tranche	Number of Options	Exercise Date
1	60,000	Immediately

The options hold no voting or dividend rights and are not transferable. The options expire 5 years from the date of the agreement.

(v) On 05 February 2010, 600,000 shares were granted to a consultant in lieu of payment for services rendered. The value of the shares, was determined by reference to market price, of $0.025 per share.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 21: SHARE-BASED PAYMENTS (CONTINUED)

All options granted are ordinary shares in Giaconda Limited, which confer a right of one ordinary share for every option held.

	2010		2009	
	Number of Options	**Weighted Average Exercise Price $**	**Number of Options**	**Weighted Average Exercise Price $**
Outstanding at the beginning of the year	1,460,000	0.50	1,460,000	0.50
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	(1,400,000)	0.50	-	-
Outstanding at year-end	60,000	0.50	1,460,000	0.50
Exercisable at year-end	60,000	0.50	1,360,000	0.50

The options outstanding at 30 June 2010 had a weighted average exercise price of $0.50 and a weighted average remaining contractual life of 1.07 years. The exercise price is $0.50 in respect of options outstanding at 30 June 2010.

The weighted average fair value of the options granted during the year was $nil (2009:$nil).

The value of the Option Reserve has been calculated by using a modified binomial option pricing model applying the following inputs:

Weighted average exercise price	$0.50
Underlying share price	$0.03
Expected share price volatility	6%
Risk free interest rate	6.50%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the contracted expiry date as no options have been exercised since the commencement of the Company.

NOTE 22: FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills, leases, preference shares and derivatives.

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	2010 $	2009 $
Financial Assets			
Cash and cash equivalents	9	18,256	33,965
Loans and receivables	10	-	11,904
Available-for-sale financial assets	2	554,015	1,500,000
		572,271	1,545,869
Financial Liabilities			
Financial liabilities at amortised cost			
— Trade and other payables	12	15,727	79,012
— Borrowings	13	789,437	447,167
		805,164	526,179

The Risk and Audit Committee (RAC) has been delegated responsibility by the Board of Directors for, amongst other issues, monitoring and managing financial risk exposures of the Group. The RAC monitors the Group'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 RAC meets on a bi-monthly basis and minutes of the RAC are reviewed by the Board.

The RAC's overall risk management strategy seeks to assist the consolidated group 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 2010

NOTE 22: FINANCIAL RISK MANAGEMENT (CONTINUED)

Specific Financial Risk Exposures and Management

The main risk the group 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 association.

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 group is not exposed to any material credit risk.

b. **Liquidity risk**

Liquidity risk arises from the possibility that the group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The group 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.

(ii) *Price risk*

The Group 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	
	2010	2009	2010	2009	2010	2009	2010	2009
	$	$	$	$	$	$	$	$
Financial liabilities due for payment								
Trade and other payables (excluding est. annual leave)	49,999	100,707	-	-	-	-	49,999	100,707
Financial liabilities*	-	-	789,437	447,167	-	-	789,437	447,167
Total contractual outflows	49,999	100,707	789,437	447,167	-	-	839,436	547,874
Total expected outflows	49,999	100,707	789,437	447,167	-	-	839,436	547,874
Financial assets — cash flows realisable								
Cash assets	18,256	33,965	-	-	-	-	18,256	33,965
Total anticipated inflows	18,256	33,965	-	-	-	-	18,256	33,965
Net (outflow)/inflow on financial instruments	(36,743)	(66,742)	(789,437)	(447,167)	-	-	(821,180)	(513,909)

* 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 13a being likely to occur within the coming twelve months.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 22: FINANCIAL RISK MANAGEMENT (CONTINUED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 22: 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 risk requiring sensitivity analysis to be performed.

NOTE 23: RELATED PARTY TRANSACTIONS	**2010 $**	**2009 $**
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		
Non-interest bearing loans from Professor Thomas Borody and Mr Patrick McLean, directors and shareholders of the company. The terms of the loans are detailed at note 13a.	805,164	387,167
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 24: 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