

# **Biosceptre International Limited**

**ABN 38 104 060 166**

## **Financial Statements**

**For the Year Ended 30 June 2008**

# Biosceptre International Limited

ABN 38 104 060 166

For the Year Ended 30 June 2008

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# Biosceptre International Limited

ABN 38 104 060 166

## Independent Audit Report to the members of Biosceptre International Limited

### Report on the Financial Report

We have audited the accompanying financial report of Biosceptre International Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the Biosceptre International Limited and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Biosceptre International Limited on 20 August 2008, would be in the same terms if provided to the directors as at the date of this auditor's report.

# Biosceptre International Limited

ABN 38 104 060 166

## Independent Audit Report to the members of Biosceptre International Limited

### Auditor's Opinion

In our opinion the financial report of Biosceptre International Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.



Bob Miller & Co  
Chartered Accountants



Bob Miller

Sydney, NSW

20 AUGUST 2008

# Biosceptre International Limited

ABN 38 104 060 166

## Directors' Report

30 June 2008

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2008.

### 1. General information

#### a Directors

The names of the directors in office at any time during, or since the end of, the year are:

##### Names

Alan Bootes (Appointed 30 January 2008)

Terrence Joseph Caplice

Angus Gidley-Baird

Peter John Newton

Geoffrey James Cumming (Resigned on 27 June 2008)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

#### b Company Secretary

The following person held the position of company secretary at the end of the financial year:

Peter Grahame Coomber (B Bus, CPA).

#### c Principal Activities

The principal activities of the Group during the financial year were:

- cancer research and treatment development
- manufacturing and supply of antibody materials

There have been no significant changes in the nature of the Group's principal activities during the financial year.

### 2. Business review

#### a Operating Results

The consolidated loss of the Group after providing for income tax amounted to \$4,173,999 (2007: \$437,456).

# Biosceptre International Limited

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Directors' Report

30 June 2008

## 2. Business review continued

### b Review of operations

A review of the operations of the Group during the financial year and the results of those operations found that during the year, the Group continued to engage in its principal activities, the result of which are disclosed in the attached financial statements.

## 3. Other items

### a Significant Changes in State of Affairs

No significant changes in the Group's state of affairs occurred during the financial year.

### b After balance day events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

### c Auditors Independence Declaration

The auditors' independence declaration for the year ended 30 June 2008 has been received and can be found on page 26 of the financial report.

### d Environmental Issues

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory

## 4. Directors' Information

### a Information on Directors

**Terrence Joseph Caplice** Mr. Terry Caplice is a retired solicitor with extensive experience in corporate and takeover law. He has been a foundation investor and a guiding influence in the formation of private and public companies. He has considerable experience as a public company director, and has in-depth knowledge of current corporate governance issues.

**Angus Gidley-Barid** Dr. Angus Gidley-Baird is Biosceptre Director of Research & Development. He was a Research Director and public company director of three listed biomedical companies. He is an author/co-author of 38 publications in refereed scientific journals and has authored/co-authored 5 patent applications. He has been a full time Research Director in a biotechnology company since 1994 and has managed the Biosceptre research and development projects since October 1999.

# Biosceptre International Limited

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Directors' Report

30 June 2008

## 4. Directors' Information continued

**Peter John Newton** Mr. Peter Newton worked for 26 years as a stockbroker, and has a record of accomplishment in public company directorships, notably in the resource sector. He is a former director of County Natwest. He is currently the Chairman of Metal X Limited and a director of two other Australian-based companies. He has enjoyed success in guiding investment and growth, and substantial experience in corporate governance issues.

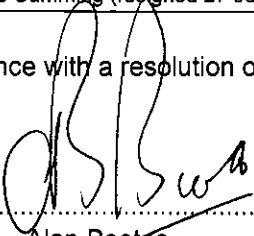
**Alan Bootes** Mr. Alan Bootes recently retired after a 37 year career as a global manager with Pfizer Inc. the world's leading Pharmaceutical and Animal Health products company. Having built a reputation as an organization development and turnaround specialist through roles in Asia and Africa/Middle East, he subsequently led Pfizer country businesses in Taiwan, Canada (where he lifted annual sales from \$50 million to over \$500 million and industry leader in 9 years) and lastly Japan, where in 5 years he took Pfizer from number 10 to number 1 rank in sales. Alan also served as Chairman of the pharmaceutical industry associations in Taiwan, Canada and Japan, where he played a leading role in health policy development together with government officials and other stakeholders. He brings to the Board valuable experience in leadership, organization development and international marketing, especially in the Asian region.

### b Meetings of Directors

During the financial year, six meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Eligible to attend	Number attended
Alan Bootes (appointed 30 January 2008)	4	4
Angus Gidley-Baird	7	7
Peter John Newton	7	7
Terrence Joseph Caplice	7	7
Geoffrey James Cumming (resigned 27 June 2008)	7	5

Signed in accordance with a resolution of the Board of Directors

Director:  Alan Bootes

Director:  Dr. Angus Gidley-Baird

Dated this 20<sup>th</sup> day of August 2008

# Biosceptre International Limited

ABN 38 104 060 166

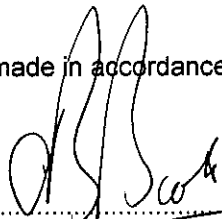
## Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 25, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the company and consolidated group;
2. The Chief Executive Officer and Chief Financial Officer have each declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view.
3. 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.

Director .....



Alan Bootes

Director .....



Dr. Angus Gidley-Baird

Dated 21 August 2008

# Biosceptre International Limited

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## Income Statement

For the Year Ended 30 June 2008

	Note	Consolidated		Parent	
		2008	2007	2008	2007
		\$	\$	\$	\$
Revenue	13	<b>162,135</b>	1,221,052	-	-
Other income	13	<b>413,818</b>	426,445	<b>793,294</b>	986,167
Employee benefits expense		<b>(2,510,826)</b>	(1,117,586)	<b>(2,510,826)</b>	(1,117,586)
Depreciation, amortisation and impairments		<b>(175,672)</b>	(138,046)	<b>(99,898)</b>	(70,615)
Other expenses		<b>(3,676,879)</b>	(1,137,112)	<b>(3,676,759)</b>	(1,064,910)
Finance costs		<b>(969)</b>	(5,256)	<b>(969)</b>	(4,829)
<b>Profit before income tax</b>		<b>(5,788,393)</b>	(750,503)	<b>(5,495,158)</b>	(1,271,773)
Income tax expense	2	<b>1,614,394</b>	313,047	<b>1,528,610</b>	469,428
<b>Profit attributable to members</b>		<b>(4,173,999)</b>	(437,456)	<b>(3,966,548)</b>	(802,345)

# Biosceptre International Limited

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## Balance Sheet

30 June 2008

	Note	Consolidated		Parent	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	3	4,146,647	2,041,210	4,127,779	1,954,300
Trade and other receivables	4	351,883	355,171	329,993	256,516
Prepayments	5	672,585	-	672,585	-
Current tax receivable	6	-	4,180	-	-
<b>Total current assets</b>		<b>5,171,115</b>	<b>2,400,561</b>	<b>5,130,357</b>	<b>2,210,816</b>
<b>Non-current assets</b>					
Trade and other receivables	4	-	-	1,470,852	1,226,128
Investments in wholly owned subsidiaries	7	-	-	1,884,043	1,884,043
Prepayments	5	13,889	-	13,889	-
Property, plant and equipment	8	455,092	163,278	455,092	162,189
Deferred tax assets	6	2,550,387	933,807	2,525,298	908,718
Intangible assets	9	3,466,725	3,256,566	52,683	-
<b>Total non-current assets</b>		<b>6,486,093</b>	<b>4,353,651</b>	<b>6,401,857</b>	<b>4,181,078</b>
<b>TOTAL ASSETS</b>		<b>11,657,208</b>	<b>6,754,212</b>	<b>11,532,214</b>	<b>6,391,894</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	10	341,250	255,585	341,250	255,585
Current GST liabilities		19,154	59,267	-	10,240
Provision for employee entitlements		160,181	162,323	160,181	162,323
Other current liabilities	11	58,303	28,218	58,303	28,218
<b>Total current liabilities</b>		<b>578,888</b>	<b>505,393</b>	<b>559,734</b>	<b>456,366</b>
<b>Non-current liabilities</b>					
<b>TOTAL LIABILITIES</b>		<b>578,888</b>	<b>505,393</b>	<b>559,734</b>	<b>456,366</b>
<b>NET ASSETS</b>		<b>11,078,320</b>	<b>6,248,819</b>	<b>10,972,480</b>	<b>5,935,528</b>
<b>EQUITY</b>					
Issued capital	12	16,120,210	7,116,710	16,120,210	7,116,710
Retained earnings		(5,041,890)	(867,891)	(5,147,730)	(1,181,182)
<b>TOTAL EQUITY</b>		<b>11,078,320</b>	<b>6,248,819</b>	<b>10,972,480</b>	<b>5,935,528</b>



# Biosceptre International Limited ABN 38 104 060 166

Statement of Changes in Equity  
For the Year Ended 30 June 2008

	2008			
	Share capital \$	Retained Earnings \$	Sub-total \$	Total \$
<b>Equity as at beginning of period</b>	7,116,710	(867,891)	6,248,819	6,248,819
<b>Changes</b>				
Shares issued during the year	9,003,500	-	9,003,500	9,003,500
Net profit transferred to equity	-	(4,173,999)	(4,173,999)	(4,173,999)
<b>Changes total</b>	9,003,500	(4,173,999)	4,829,501	4,829,501
<b>Equity as at 30 June 2008</b>	16,120,210	(5,041,890)	11,078,320	11,078,320

	2007			
	Share capital \$	Retained Earnings \$	Sub-total \$	Total \$
<b>Equity as at beginning of period</b>	7,116,710	(430,435)	6,686,275	6,686,275
<b>Changes</b>				
Net profit transferred to equity	-	(437,456)	(437,456)	(437,456)
<b>Changes total</b>	-	(437,456)	(437,456)	(437,456)
<b>Equity as at 30 June 2007</b>	7,116,710	(867,891)	6,248,819	6,248,819

# Biosceptre International Limited

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## Cash Flow Statement

For the Year Ended 30 June 2008

	Note	Consolidated		Parent	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>Cash from operating activities:</b>					
Receipts from customers		162,135	1,579,764	-	877,315
Payments to suppliers and employees		(5,955,024)	(2,758,796)	(5,710,289)	(2,722,713)
Interest received		371,447	108,852	371,447	108,852
Interest paid		(969)	(5,256)	(969)	(4,829)
Income taxes refund		1,995	1,453	-	-
<b>Net cash used in operating activities</b>	16(a)	<b>(5,420,416)</b>	<b>(1,073,983)</b>	<b>(5,339,811)</b>	<b>(1,741,375)</b>
<b>Cash flows from investing activities:</b>					
Proceeds from disposal of financial assets		-	1,993,807	-	1,993,807
Acquisition of property, plant and equipment		(390,029)	(62,760)	(390,029)	(62,760)
Acquisition of other non-current assets		(287,618)	(133,894)	(55,456)	-
Payment for subsidiary, net		-	(17,325)	-	(17,525)
Loan advance - repayment		-	25,000	-	25,000
<b>Net cash provided by (used in) investing activities</b>		<b>(677,647)</b>	<b>1,804,828</b>	<b>(445,485)</b>	<b>1,938,522</b>
<b>Cash flows from financing activities:</b>					
Proceeds from issue of shares		8,203,500	-	8,203,500	-
Inter group borrowings		-	-	(244,724)	305,627
Proceeds from tax losses used		-	-	-	156,380
<b>Net cash provided by financing activities</b>		<b>8,203,500</b>	<b>-</b>	<b>7,958,776</b>	<b>462,007</b>
<b>Other activities:</b>					
<b>Net increase in cash held</b>		<b>2,105,437</b>	<b>730,845</b>	<b>2,173,480</b>	<b>659,154</b>
Cash at beginning of financial year		2,041,210	1,310,365	1,954,300	1,295,146
<b>Cash at end of financial year</b>	3	<b>4,146,647</b>	<b>2,041,210</b>	<b>4,127,780</b>	<b>1,954,300</b>

# Biosceptre International Limited

ABN 38 104 060 166

## Cash Flow Statement

For the Year Ended 30 June 2008

### 1 Statement of Significant Accounting Policies

#### (a) General information

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

The financial report covers the consolidated group of Biosceptre International Limited and controlled entities, and Biosceptre International Limited as an individual parent entity. Biosceptre International Limited is an unlisted public company, incorporated and domiciled in Australia

The financial report of Biosceptre International Limited and controlled entities, and Biosceptre International Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### (b) Basis of Preparation

##### Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

#### (c) Comparative Figures

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

#### (d) Property, Plant and Equipment

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

#### (e) Financial Instruments

##### Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

# Biosceptre International Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2008

## 1 Statement of Significant Accounting Policies continued

### (e) Financial Instruments continued

#### Impairment

At each reporting date, the Group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

### (f) Intangibles

#### Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investment in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### Patents and trademarks

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.

### (g) Cash and Cash Equivalents

Cash and cash equivalents include 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.

### (h) 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 present value of the estimated future cash outflows to be made for those benefits.

# Biosceptre International Limited

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## Notes to the Financial Statements

For the Year Ended 30 June 2008

### (i) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

### (j) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

### (k) Income Tax

#### Current Income Tax expense

The charge for current income tax expense is based on the profit after allowing for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

#### Accounting for deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income 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 calculation

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

#### Deferred income tax assets

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

#### Benefit brought to account

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 taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be

# Biosceptre International Limited

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## Notes to the Financial Statements

For the Year Ended 30 June 2008

### (k) Income tax continued

realised and comply with the conditions of deductibility imposed by the law.

Biosceptre International Limited and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The group notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 1 July 2003. The tax consolidated group has entered into a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion their contribution to the net profit before tax of the tax consolidated group.

### (l) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

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

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

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

### (m) 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 Taxation 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.

### (n) Principles of Consolidation

All controlled entities have a June financial year-end. A list of the controlled entities is shown below:

Biosceptre Pty Ltd  
Intreat Pty Ltd  
Bioquest Pty Ltd  
Biopep Pty Ltd

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

A controlled entity is an entity that Biosceptre International Limited has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities.

# Biosceptre International Limited

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## Notes to the Financial Statements

For the Year Ended 30 June 2008

### (p) Operating leases

Payments made under operating leases are expensed when due over the term of the lease.

## 2 Income Tax Expense

The components of tax expense comprise:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Current tax	1,619,635	(324,143)	1,533,851	(480,524)
Deferred tax	(5,241)	11,096	(5,241)	11,096
	<b>1,614,394</b>	<b>(313,047)</b>	<b>1,528,610</b>	<b>(469,428)</b>

## 3 Cash and Cash Equivalents

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash on hand	900	301	600	-
Cash at bank	1,024,251	406,003	1,005,683	319,394
Short-term bank deposits	3,121,496	1,633,301	3,121,496	1,633,301
Other cash and cash equivalents	-	1,605	-	1,605
	<b>4,146,647</b>	<b>2,041,210</b>	<b>4,127,779</b>	<b>1,954,300</b>

### Reconciliation of Cash

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
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	4,146,647	2,041,210	4,127,779	1,954,300
Bank overdraft	-	-	-	-
	<b>4,146,647</b>	<b>2,041,210</b>	<b>4,127,779</b>	<b>1,954,300</b>

# Biosceptre International Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2008

## 4 Trade and Other Receivables

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>CURRENT</b>				
Trade receivables	21,890	98,655	-	-
Loan to director	215,000	215,000	215,000	215,000
Other receivables	114,993	41,516	114,993	41,516
	<b>351,883</b>	<b>355,171</b>	<b>329,993</b>	<b>256,516</b>

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>NON-CURRENT</b>				
Amounts receivable from:				
- wholly owned subsidiaries	-	-	1,470,852	1,226,128
	-	-	<b>1,470,852</b>	<b>1,226,128</b>

### Individual loans above \$100,000 in reporting period

	Balance Start	Interest Charged	Interest Not Charged	Repayment	Balance End	Highest Balance During Period
Associate of Geoff Cumming	215,000	-	-	-	215,000	215,000

The loan of \$215,000 to associate of Geoff Cumming was fully repaid since balance date.

# Biosceptre International Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2008

## 5 Prepayments

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
CURRENT	672,585	-	672,585	-
NON-CURRENT	13,889	-	13,889	-

## 6 Tax assets

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
CURRENT				
Current tax receivable	-	4,180	-	-
NON-CURRENT				
Deferred tax assets	2,550,387	933,807	2,525,298	908,718

Analysis of deferred tax asset:

Losses available for offset against future taxable income	2,494,404	847,494	2,469,315	822,405
Expenses deductible in future years	55,983	86,313	55,983	86,313
	2,550,387	933,807	2,525,298	908,718

## 7 Investments in wholly owned subsidiaries

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Investments in subsidiaries	-	-	1,884,043	1,884,043
	-	-	1,884,043	1,884,043

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Notes to the Financial Statements

For the Year Ended 30 June 2008

## 8 Property Plant and Equipment

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
<b>PLANT AND EQUIPMENT</b>				
Plant and equipment				
At cost	<b>343,000</b>	343,000	<b>343,000</b>	343,000
Less accumulated depreciation	<b>(343,000)</b>	(314,282)	<b>(343,000)</b>	(314,282)
<b>Total plant and equipment</b>	<b>-</b>	28,718	<b>-</b>	28,718
Computer equipment				
At cost	<b>102,057</b>	33,961	<b>102,057</b>	33,961
Less accumulated depreciation	<b>(40,739)</b>	(18,727)	<b>(40,739)</b>	(18,727)
<b>Total computer equipment</b>	<b>61,318</b>	15,234	<b>61,318</b>	15,234
Research equipment				
At cost	<b>358,396</b>	158,311	<b>358,396</b>	158,311
Less accumulated depreciation	<b>(99,107)</b>	(71,233)	<b>(99,107)</b>	(71,233)
<b>Total research equipment</b>	<b>259,289</b>	87,078	<b>259,289</b>	87,078
Office furniture				
At cost	<b>157,187</b>	35,340	<b>157,187</b>	35,340
Less accumulated depreciation	<b>(22,702)</b>	(4,180)	<b>(22,702)</b>	(4,181)
<b>Total office furniture</b>	<b>134,485</b>	31,160	<b>134,485</b>	31,159
Laboratory equipment				
At cost	<b>11,900</b>	11,900	-	-
Less accumulated depreciation	<b>(11,900)</b>	(10,812)	-	-
<b>Total laboratory equipment</b>	<b>-</b>	1,088	<b>-</b>	-
<b>Total plant and equipment</b>	<b>455,092</b>	163,278	<b>455,092</b>	162,189
<b>Total property, plant and equipment</b>	<b>455,092</b>	163,278	<b>455,092</b>	162,189

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Notes to the Financial Statements

For the Year Ended 30 June 2008

## 9 Intangible Assets

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Goodwill				
Cost	2,219,031	2,219,031	-	-
Accumulated impairment losses	(28,321)	(28,321)	-	-
<b>Net carrying value</b>	<b>2,190,710</b>	<b>2,190,710</b>	<b>-</b>	<b>-</b>
Patents, trademarks and other rights				
Cost	1,560,320	1,272,702	55,456	-
Accumulated amortisation and impairment	(384,305)	(206,846)	(2,773)	-
<b>Net carrying value</b>	<b>1,276,015</b>	<b>1,065,856</b>	<b>52,683</b>	<b>-</b>
Development costs				
Cost	1,130	1,130	1,130	1,130
Accumulated amortisation and impairment	(1,130)	(1,130)	(1,130)	(1,130)
<b>Net carrying value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Intangibles</b>	<b>3,466,725</b>	<b>3,256,566</b>	<b>52,683</b>	<b>-</b>

## 10 Trade and Other Payables

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
CURRENT				
Unsecured liabilities				
Trade payables	244,395	66,027	244,395	66,027
Sundry payables and accrued expenses	96,855	189,558	96,855	189,558
<b>Total Trade and Other Payables</b>	<b>341,250</b>	<b>255,585</b>	<b>341,250</b>	<b>255,585</b>

## 11 Other Liabilities

### Current

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
PAYG Withholding Tax Payable	58,303	27,287	58,303	27,287
Employee Superannuation Payables	-	931	-	931
<b>Total</b>	<b>58,303</b>	<b>28,218</b>	<b>58,303</b>	<b>28,218</b>

# Biosceptre International Limited

ABN 38 104 060 166

Notes to the Financial Statements

For the Year Ended 30 June 2008

## 12 Issued Capital

### Summary Table

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
20,915,166 (2007:17,487,867) Ordinary	16,120,210	7,116,710	16,120,210	7,116,710
<b>Total</b>	<b>16,120,210</b>	<b>7,116,710</b>	<b>16,120,210</b>	<b>7,116,710</b>

### Movements in issued capital (Number)

Balance at the beginning of the period	17,487,867	17,487,867	17,487,867	17,487,867
Shares issued during the year	3,427,299	-	3,427,299	-
	<b>20,915,166</b>	<b>17,487,867</b>	<b>20,915,166</b>	<b>17,487,867</b>

#### a) Issued capital

Included in shares issued during the year were 400,000 shares issued to Key Management Personnel as incentives for capital raising of the company.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the numbers 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) Capital Management

Management controls the capital of the group to provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

There are no externally imposed capital requirements.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year.

## 13 Revenue

	Note	Consolidated		Parent	
		2008	2007	2008	2007
		\$	\$	\$	\$
Operating activities					
- sale of goods		162,135	1,218,934	-	-
- interest received		413,818	108,852	413,818	108,852
- government grants and other income		-	317,593	379,476	877,315
- miscellaneous		-	2,118	-	-
<b>Total Revenue</b>		<b>575,953</b>	<b>1,647,497</b>	<b>793,294</b>	<b>986,167</b>

# Biosceptre International Limited

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## Notes to the Financial Statements

For the Year Ended 30 June 2008

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Interest revenue from:				
Bank	413,818	108,852	413,818	108,852
<b>Total interest revenue</b>	<b>413,818</b>	<b>108,852</b>	<b>413,818</b>	<b>108,852</b>

### 14 Key Management Personnel Compensation

#### (a) 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.

#### (b) Key Management Personnel

Names and positions held of key management personnel in office at any time during the financial year are:

Key Management Personnel	Position
Angus Gidley-Baird	Director
Geoffrey James Cumming	Director/CEO (Resigned 27 June 2008)
Alan Bootes	Director/Chairman (Appointed 30 January 2008)
Peter John Newton	Director
Terrence Joseph Caplice	Director
<b>Other Key Management Personnel</b>	
Peter Grahame Coomber	Secretary/CFO

# Biosceptre International Limited

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Notes to the Financial Statements

For the Year Ended 30 June 2008

## (c) Key Management Personnel Compensation

2008

	Cash, salary & fees	Post employment benefits	Total
		Superannuation	
	\$	\$	\$
Angus Gidley-Baird	276,155	220,000	496,155
Geoffrey James Cumming	319,919	228,792	548,711
Peter Grahame Coomber	410,230	87,508	497,738
Alan Bootes	50,000	4,500	54,500
Peter John Newton	40,000	3,600	43,600
Terrence Joseph Caplice	40,000	-	40,000
	<b>1,135,304</b>	<b>544,400</b>	<b>1,679,704</b>

2007

	Cash, salary & fees	Post employment benefits	Total
		Superannuation	
	\$	\$	\$
Angus Gidley-Baird	252,839	-	252,839
Geoffrey James Cumming	316,982	28,528	345,510
Peter Grahame Coomber	219,110	19,720	238,830
Peter John Newton	44,000	3,960	47,960
Terrence Joseph Caplice	40,000	-	40,000
	<b>872,931</b>	<b>52,508</b>	<b>925,439</b>

## (d) Shareholdings

Number of Shares held by Key Management Personnel and their associates:

	Balance 1/07/2007	Received as Remuneration	Options Exercised	Other	Balance 30/06/2008
Angus Gidley-Baird	3,135,632	75,000	-	(334,400)	2,876,232
Geoffrey James Cumming	460,000	100,000	-	(88,000)	472,000
Peter Grahame Coomber	60,000	25,000	-	(8,000)	77,000
Alan Bootes	-	-	-	200,000	200,000
Peter John Newton	600,000	100,000	-	-	700,000
Terrence Joseph Caplice	1,846,891	100,000	-	(415,000)	1,531,891
	<b>6,127,523</b>	<b>400,000</b>	<b>-</b>	<b>(645,400)</b>	<b>5,882,123</b>

## 15 Auditors' Remuneration

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Remuneration of the auditor of the parent entity for:				
- Auditing or reviewing the financial report	<b>24,000</b>	19,346	<b>24,000</b>	19,346

# Biosceptre International Limited

ABN 38 104 060 166

Notes to the Financial Statements

For the Year Ended 30 June 2008

## 16 Cash Flow Information

### (a) Reconciliation of Cash Flow from Operations with Profit after Income Tax

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Net loss for the year	(4,173,999)	(437,456)	(3,966,548)	(802,344)
Cash flows excluded from profit attributable to operating activities				
Non-cash flows in profit				
Depreciation and amortisation	175,672	138,047	99,898	70,617
Shares issued	800,000	-	800,000	-
Net gain on disposal of investments	-	(568,992)	-	(568,992)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and term receivables	7,469	22,398	(73,477)	(20,174)
(Increase)/decrease in non-traded deferred tax assets	(1,616,580)	(313,047)	(1,616,580)	(469,428)
Increase/(decrease) in trade payables and accruals	75,638	46,328	105,511	10,207
Increase in prepayments	(686,473)	-	(686,473)	-
Increase/(decrease) in provisions	(2,142)	38,739	(2,142)	38,739
<b>Cashflow from operations</b>	<b>(5,420,416)</b>	<b>(1,073,983)</b>	<b>(5,339,811)</b>	<b>(1,741,375)</b>

### (b) Acquisition of Entities

There was no acquisition during the year. In 2007 50% of the controlled entity Biopep Pty Ltd was acquired.

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Purchase consideration	-	29,030	-	-
Cash consideration	-	29,030	-	-
Amounts already previously incurred	-	(11,505)	-	-
<b>Cash outflow</b>	<b>-</b>	<b>17,525</b>	<b>-</b>	<b>-</b>

# Biosceptre International Limited

ABN 38 104 060 166

## Notes to the Financial Statements

For the Year Ended 30 June 2008

### 16 Cash Flow Information continued

Assets and liabilities held at acquisition date:

Cash	-	200	-	-
Deferred tax assets	-	25,090	-	-
	-	25,290	-	-
Goodwill on consolidation	-	3,740	-	-
	-	29,030	-	-

The goodwill was attributable to the intellectual properties owned by Biopep Pty Ltd which complements other intangible assets owned by the Group.

The assets and liabilities arising from the acquisition are recognised at fair value which is equal to its carrying value.

### 17 Operating Lease Commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	<b>192,575</b>	179,980	<b>192,575</b>	179,980
Later than 1 year but not later than 5 years	<b>132,350</b>	324,925	<b>132,350</b>	324,925
Later than five years	-	-	-	-
	<b>324,925</b>	<b>504,905</b>	<b>324,925</b>	<b>504,905</b>

### 18 Company Details

#### Registered office

The registered office of the company is:  
Suite 3.08  
56 Delhi Road  
North Ryde NSW 2113

# Biosceptre International Limited

ABN 38 104 060 166

## Auditors Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2008 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Bob Miller & Co  
Chartered Accountants



Bob Miller

Sydney, NSW

20 AUGUST 2008