
Biosceptre International Limited

ABN 38 104 060 166

Financial Statements

For the Year Ended 30 June 2009

Biosceptre International Limited

ABN 38 104 060 166

For the Year Ended 30 June 2009

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Biosceptre International Limited**ABN 38 104 060 166****Directors' Report****30 June 2009****1. General Information****a. Directors**

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

Alan Brian Bootes
Angus Gidley-Baird
Terrence Joseph Caplice
Peter John Newton
Paul John Kelly (appointed 24 September 2008)

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

b. The following person held the position of Company Secretary at the end of the financial year:

Nick Geddes (FCA, FCIS) (Appointed 3 July 2009)
Peter Grahame Coomber (B Bus. CPA) (Resigned 31 July 2009)

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

2. Business Review**a. Operating Results and Review of Operations**

The consolidated loss for the Group after providing for income tax amounted to \$3,508,063 (2008: \$4,173,999). 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 its principal activities and the result of which are set out in the attached financial statements.

3. Other Items**a. Changes in State of Affairs**

There was no significant change in the state of affairs of the Group during the financial year.

b. Subsequent Events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has 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. Future Developments

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

4. Dividends

No dividends have been paid or declared since the start of the financial year, and the directors do not recommend the payment of a dividend in respect of the financial year.

5. 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.

Biosceptre International Limited**ABN 38 104 060 166****Directors' Report****30 June 2009****6. Indemnification of Officers and Directors**

During the year the company has paid a premium in respect of a contract of insurance, insuring officers (and any persons who are officers in the future and employees of the company or its subsidiaries) against certain liabilities incurred in that capacity.

7. Directors and Meetings**a. Directors Information****Alan Brian Bootes.**

Mr Alan Brian 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 organisation 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, organisation development and international marketing, especially in the Asian region.

Angus Gidley-Baird

Dr. Angus Gidley-Baird is the Chief Executive Officer of the company. He is also Biosceptre's Director of Research & Development. He was a Research Director and public company director of three listed biomedical companies. He has authored/co-authored 5 patent applications. He has been a fulltime Research Director in a biotechnology company since 1994 and has managed the Biosceptre research and development projects since October 1999.

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.

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 has substantial experience in corporate governance issues.

Paul John Kelly

Dr. Paul Kelly is an Australian physician, serial entrepreneur and experienced biotechnology and life sciences executive. Dr. Kelly has over 15 years experience in commercialising life science related technologies in Australia, Europe and North America. He is General Partner and Executive Director at Andover Venture Partners, an investment management firm focused on investing in globally scalable technology businesses in the Clean Tech, New Media, IT&T and Life Sciences sectors. He has enjoyed a distinguished career as a biotechnology executive, co-founding a number of companies in the health sciences and technology arena and is a published and respected physician specialising in endocrinology. Dr Kelly has served on national governmental advisory bodies, as well as on the boards of public and private companies.

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Directors' Report

30 June 2009

b. Meetings of Directors

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

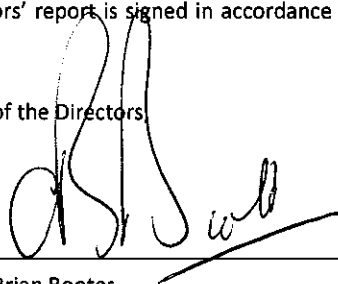
	Directors' Meetings	
	Eligible to attend	Number attended
Alan Brian Bootes	9	9
Angus Gidley-Baird	9	9
Terrence Joseph Caplice	9	7
Peter John Newton	9	7
Paul John Kelly	8	7

Auditors Independence declaration

The auditor's independence declaration is included on page 4 of the financial report.

The directors' report is signed in accordance with a resolution of directors made pursuant to s298(2) of the Corporations Act 2001.

On behalf of the Directors



Alan Brian Bootes
Director



Angus Gidley-Baird
Director

Dated this 29th day of September, 2009.

The Board of Directors
Biosceptre International Limited
Suite 3.08, 56 Delhi Road
North Ryde, NSW 2113

Dear Board Members

Biosceptre International Limited

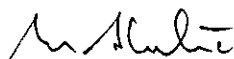
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Biosceptre International Limited.

As lead audit partner for the audit of the financial statements of Biosceptre International Limited for the financial year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely


DELOITTE TOUCHE TOHMATSU



Michael Kulic
Partner
Chartered Accountants
Sydney, 29 September 2009

Independent Auditor's Report to the members of Biosceptre International Limited

We have audited the accompanying financial report of Biosceptre International Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, cash flow statement and statement of changes in equity 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 company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 7 to 26.

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 control 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. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.


Auditor's Opinion

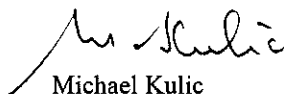
In our opinion,

- (a) the financial report of Biosceptre International Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2 in the financial report which indicates that the consolidated group incurred a loss of \$3,508,063 (2008: \$4,173,999) and had net operating cash outflows for the year of \$3,800,566 (2008: \$5,420,416). The company incurred a loss of \$3,321,560 (2008: \$3,966,548) and had net operating cash outflows for the year of \$3,747,476 (2008: \$5,339,811). These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the company and the consolidated group to continue as going concerns and whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.


DELOITTE TOUCHE TOHMATSU



Michael Kulic
Partner
Chartered Accountants
Sydney, 29 September 2009

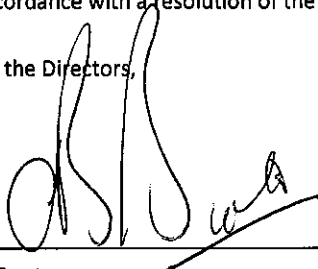
Directors' Declaration

The directors declare that:

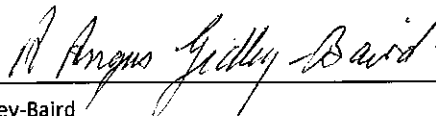
- a. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- b. In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and the consolidated group.

Signed in accordance with a resolution of the directors made pursuant to s295(5) of the Corporations Act 2001.

On behalf of the Directors,



Alan Brian Bootes
Director



Angus Gidley-Baird
Director

Dated this 29th day of September, 2009.

Biosceptre International Limited**ABN 38 104 060 166****Income Statement****30 June 2009**

		Consolidated		Company	
		2009	2008	2009	2008
	Note	\$	\$	\$	\$
Revenue	14	147,389	162,135	-	-
Other income	14	264,103	413,818	264,103	413,818
Employee benefits expense		(2,377,784)	(2,510,826)	(2,377,784)	(2,510,826)
Depreciation, amortisation and impairment		(270,266)	(175,672)	(121,811)	(99,898)
Research and development		(1,782,392)	(1,518,449)	(1,782,392)	(1,518,449)
Travel expense		(210,716)	(363,641)	(210,716)	(363,641)
Occupancy expense		(286,663)	(268,691)	(182,993)	(165,191)
General and administration expense		(605,398)	(1,124,356)	(443,936)	(848,257)
Other expenses		(84,984)	(401,742)	(84,984)	(401,742)
Finance costs		(2,907)	(969)	(2,907)	(969)
Loss before income tax		(5,209,618)	(5,788,393)	(4,943,420)	(5,495,158)
Income tax expense	3	1,701,555	1,614,394	1,621,860	1,528,610
Loss for the year		(3,508,063)	(4,173,999)	(3,321,560)	(3,966,548)

Notes to the financial statements are included on pages 12 to 26.

Biosceptre International Limited

ABN 38 104 060 166

Balance Sheet

30 June 2009

		Consolidated		Company	
		2009	2008	2009	2008
	Note	\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	4	3,313,572	4,146,647	3,277,278	4,127,779
Trade and other receivables	5	113,513	351,883	93,261	329,993
Prepayments	6	15,889	672,585	15,889	672,585
Total current assets		3,442,974	5,171,115	3,386,428	5,130,357
NON-CURRENT ASSETS					
Trade and other receivables	5	-	-	1,816,232	1,470,852
Investments in wholly owned subsidiaries	7	-	-	1,884,043	1,884,043
Prepayments	6	-	13,889	-	13,889
Property, plant and equipment	8	319,104	455,092	319,104	455,092
Deferred tax assets	9	3,911,203	2,550,387	3,886,114	2,525,298
Intangible assets	10	3,662,736	3,466,725	122,285	52,683
Total non-current assets		7,893,043	6,486,093	8,027,778	6,401,857
Total assets		11,336,017	11,657,208	11,414,206	11,532,214
CURRENT LIABILITIES					
Trade and other payables	11	239,456	301,576	239,456	282,422
Employee entitlements - annual leave		189,389	160,181	189,389	160,181
Other liabilities	12	102,555	117,131	100,081	117,131
Total current liabilities		531,400	578,888	528,926	559,734
NON-CURRENT LIABILITIES					
Employee entitlements - long service leave		32,735	-	32,735	-
Total non-current liabilities		32,735	-	32,735	-
Total liabilities		564,135	578,888	561,661	559,734
NET ASSETS		10,771,882	11,078,320	10,852,545	10,972,480
EQUITY					
Issued capital	13	19,246,280	16,120,210	19,246,280	16,120,210
Share option reserve	2(f),13	75,555	-	75,555	-
Accumulated losses		(8,549,953)	(5,041,890)	(8,469,290)	(5,147,730)
TOTAL EQUITY		10,771,882	11,078,320	10,852,545	10,972,480

Notes to the financial statements are included on pages 12 to 26.

Biosceptre International Limited**ABN 38 104 060 166****Statement of Changes in Equity****30 June 2009**

	Share capital	Reserves	Retained Earnings	Total
	\$	\$	\$	\$
Consolidated				
2009				
Equity at beginning of period	16,120,210	-	(5,041,890)	11,078,320
Changes				
Shares issued during the year	3,246,120	-	-	3,246,120
Shares-issue expense	(120,050)	-	-	(120,050)
Recognition of share based payments	-	75,555	-	75,555
Net loss transferred to equity	-	-	(3,508,063)	(3,508,063)
Changes total	3,126,070	75,555	(3,508,063)	(306,438)
Equity as at 30 June 2009	19,246,280	75,555	(8,549,953)	10,771,882
2008				
Equity at beginning of period	7,116,710	-	(867,891)	6,248,819
Changes				
Shares issued during the year	9,003,500	-	-	9,003,500
Net loss transferred to equity	-	-	(4,173,999)	(4,173,999)
Changes total	16,120,210	-	(5,041,890)	11,078,320
Equity as at 30 June 2008	16,120,210	-	(5,041,890)	11,078,320
Company				
2009				
Equity at beginning of period	16,120,210	-	(5,147,730)	10,972,480
Changes				
Shares issued during the year	3,246,120	-	-	3,246,120
Shares-issue expense	(120,050)	-	-	(120,050)
Recognition of share-based payments	-	75,555	-	75,555
Net loss transferred to equity	-	-	(3,321,560)	(3,321,560)
Changes total	3,126,070	75,555	(3,321,560)	(119,935)
Equity as at 30 June 2009	19,246,280	75,555	(8,469,290)	10,852,545
2008				
Equity at beginning of period	7,116,710	-	(1,181,182)	5,935,528
Changes				
Shares issued during the year	9,003,500	-	-	9,003,500
Net loss transferred to equity	-	-	(3,966,548)	(3,966,548)
Changes total	9,003,500	-	(3,966,548)	5,036,952
Equity as at 30 June 2008	16,120,210	-	(5,147,730)	10,972,480

Notes to the financial statements are included on pages 12 to 26.

Biosceptre International Limited**ABN 38 104 060 166****Cash Flow Statement****For the Year Ended 30 June 2009**

	Note	Consolidated		Company	
		2009	2008	2009	2008
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		262,398	162,135	115,009	-
Payments to suppliers and employees		(4,584,827)	(5,955,024)	(4,385,348)	(5,710,289)
Interest received		184,031	371,447	184,031	371,447
Interest and other costs of finance paid		(2,907)	(969)	(2,907)	(969)
Income taxes refund		340,739	1,995	340,739	-
Net cash used in operating activities	17	(3,800,566)	(5,420,416)	(3,747,476)	(5,339,811)
Cash flows from investing activities					
Payments for property, plant and equipment		(22,532)	(390,029)	(22,532)	(390,029)
Payment for intangible assets		(351,047)	(287,618)	(76,184)	(55,456)
Loan advance repayment		215,000	-	215,000	-
Net cash used in investing activities		(158,579)	(677,647)	116,284)	(445,485)
Cash flows from financing activities					
Proceeds from issues of equity securities		3,126,070	8,203,500	3,126,070	8,203,500
Payments of inter-company borrowings		-	-	(345,379)	(244,724)
Net cash provided by financing activities		3,126,070)	8,203,500)	2,780,691)	7,958,776)
Net increase in cash and cash equivalents		(833,075)	2,105,437)	(850,501)	2,173,480)
Cash and cash equivalents at the beginning of the financial year		4,146,647)	2,041,210)	4,127,779)	1,954,299)
Cash and cash equivalents at the end of the financial year	4	3,313,572)	4,146,647)	3,277,278)	4,127,779)

Notes to the financial statements are included on pages 12 to 26.

Biosceptre International Limited
ABN 38 104 060 166
Notes to the Financial Statements
30 June 2009

1. General Information

Biosceptre International Limited (the Company) is an unlisted public company incorporated and domiciled in Australia.

Biosceptre International Limited's registered office and its principal place of business is as follows:

Suite 3.08, 56 Delhi Road
North Ryde, NSW 2113

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

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

2. Significant Accounting Policies

Going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The consolidated group incurred a loss of \$3,508,063 (2008: \$4,173,999) and had net operating cash outflows for the year of \$3,800,566 (2008: \$5,420,416). The company incurred a loss of \$3,321,560 (2008: \$3,966,548) and had net operating cash outflows for the year of \$3,747,476 (2008: \$5,339,811).

The company currently does not trade and the ability of the company and the consolidated group to continue as going concerns is dependent on their ability to;

- obtain additional funding to meet working capital requirements; and/or
- secure contracts for the sale of its products.

The company has historically been able to raise equity funding by way of private placements to meet its ongoing working capital requirements. During the year ended 30 June 2009 the company raised \$3,126,070 in equity. In the prior year ended 30 June 2008, the company raised \$8,203,500 in equity. The directors are confident that the company and consolidated entity will be able to raise the necessary funding to meet working capital requirements during the year ended 30 June 2010 and/or that they will be able to secure contracts for the sale of their products in the near term.

At the date of this report, and having considered the above factors, the directors are confident that the company and consolidated group will be able to continue as going concerns. Notwithstanding this, if additional funding to meet working capital requirements is not obtained and if contracts for the sale of their products are not secured, there is significant uncertainty whether the company and consolidated group will continue as going concerns and, therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

No adjustments have been made relating to the recoverability and classification of recorded asset values and the amount and classification of liabilities that might be necessary should the company and the consolidated group be unable to continue as going concerns.

Biosceptre International Limited**ABN 38 104 060 166****Notes to the Financial Statements****30 June 2009****Statement of Compliance**

The financial report is a general purpose financial report that has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to the International Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

In the current year, the company and the Group have adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current annual reporting period.

Early adoption of Accounting Standards

The directors have elected under s.334(5) of the Corporations Act 2001 to apply AASB 8 'Operating Segments' and AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8', even though the Standards are not required to be applied until annual reporting periods beginning on or after 1 January 2009.

AASB 8 is a disclosure standard which has resulted in a redesignation of the Group's reportable segments, but has no impact on the reported results or financial position of the Group. The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Basis for Preparation

The financial report has been prepared in the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Accounting Estimates and Judgements

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Biosceptre International Limited

ABN 38 104 060 166

Notes to the Financial Statements

30 June 2009

a. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries), (referred to as "the Group" in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

	<u>2009</u>	<u>2008</u>
Biosceptre Pty Ltd	100%	100%
Intreat Pty Ltd	100%	100%
Bioquest Pty Ltd	100%	100%
Biopep Pty Ltd	100%	100%

b. Comparative Figures

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

c. Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST, the net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within the operating cash flows.

d. Revenue

Revenue is measured at the fair value of the consideration received or receivable and is recognised upon the delivery of the goods to customers.

e. Government Grants

Government grants are assistance by the government in form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the Group other than the requirement to operate in certain regions or industry sectors.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

f. Share-based Payments

Equity-settled share-based payments with employees and others providing similar services are measured at fair value of the equity instrument at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled share option reserve.

f. Share-based Payments (continued)

Equity-settled share-based payment transactions with other party are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

g. Income Tax

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantially enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. In principle, deferred tax liabilities are recognised for all taxable temporary differences.

Deferred Tax continued

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income or accounting profit. Further, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date.

Current and Deferred Tax for the Period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

Tax Consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Biosceptre International Limited is the head entity in the tax-consolidated group. 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 to their contribution to the net profit before tax of the tax-consolidated group.

Biosceptre International Limited**ABN 38 104 060 166****Notes to the Financial Statements****30 June 2009****h. Cash and Cash Equivalents**

Cash comprises on hand and deposits held at call and other short-term highly liquid investments with an original maturity of three months or less.

i. Property, Plant and Equipment

Each class of property, plant and equipment are stated at cost less accumulated depreciation and impairment. The useful lives used in the calculation of depreciation are as follows:

Plant and equipment	3 – 5 years
Computer equipment	3 – 6 years
Research equipment	5 – 10 years
Office furniture	6 – 14 years

j. 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.

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.

k. Intangibles**Goodwill**

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets. 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 accumulated amortisation and any impairment losses. Patents are tested for impairment annually and whenever an indication of impairment exists. Any impairment is recognised immediately in profit or loss. Patents are amortised over 20 years.

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l. Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months, are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

m. Provisions

Provisions are recognised when the Group has a present 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.

n. Finance Costs

All finance costs are recognised in profit or loss in the period in which they are incurred.

o. Share-based Payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period with a corresponding increase in equity.

p. Operating Leases

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

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Notes to the Financial Statements
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q. Standards and interpretations on issue not yet effective

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the company's financial report:

- AASB 101 Presentation of Financial Statements (revised September 2007), AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101;
- AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101;
- AASB 8 Operating Segments, AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8;
- AASB 2009-2 Amendments to Australian Accounting Standards-Improving Disclosures about Financial Instruments.

Initial application of the following Standards/Interpretations is not expected to have any material impact on the financial report of the company:

- AASB 3 Business Combinations (revised), AASB 127 Consolidated and Separate Financial Statements (revised) and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127;
- AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations;
- AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate;
- AASB 2009-6 Amendments to Australian Accounting Standards;
- AASB 123 Borrowing Costs (revised), AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123;
- AASB 17 Distribution of Non-cash Assets to Owners and AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distribution of Non-cash Assets to owners.

The initial application of the of the expected issue of an Australian equivalent accounting Standard/Interpretation to the following Standard/Interpretation is not expected to have a material impact on the financial report of the Group and the Company:

- Improvements to IFRS (2008)
- Amendments to IFRS1 First time adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.

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	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
3 Income taxes				
Income tax recognised in profit or loss				
Tax income comprises:				
Current tax income in respect of current year	1,626,223	1,632,346	1,546,528	1,546,562
Deferred tax expense relating to the origination and reversal of temporary differences	75,332	(17,952)	75,332	(17,952)
	<u>1,701,555</u>	<u>1,614,394</u>	<u>1,621,860</u>	<u>1,528,610</u>

The prima facie income tax income on pre-tax accounting loss from operations reconciles to the income tax income in the financial statements as follows:

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Loss from operations	(5,209,618)	(5,788,393)	(4,943,420)	(5,495,158)
Income tax calculated @ 30%	(1,562,885)	(1,736,518)	(1,483,026)	(1,648,547)
Effect of revenue that is not assessable in determining taxable profit	(5,367)	(12,711)	(5,367)	(12,711)
Effect of expenses that are not deductible in determining taxable profit	55,055	123,173	54,891	120,986
Effect of expenditure that are allowable for tax	(2,882)	(6,290)	(2,882)	(6,290)
Effect of tax concessions-R&D expenditure	(74,129)	-	(74,129)	-
Effect of share-issue expense credited to equity	(36,015)	-	(36,015)	-
	<u>(1,626,223)</u>	<u>(1,632,346)</u>	<u>(1,546,528)</u>	<u>(1,546,562)</u>
4 Cash and cash equivalents				
Cash on hand	900	900	600	600
Cash at bank	612,462	1,024,251	576,468	1,005,683
Short-term bank deposits	2,698,642	3,121,496	2,698,642	3,121,496
Other cash and cash equivalents	1,568	-	1,568	-
	<u>3,313,572</u>	<u>4,146,647</u>	<u>3,277,278</u>	<u>4,127,779</u>
5 Trade debtors and other receivables				
Current				
Trade receivables	20,252	21,890	-	-
Loan to director	-	215,000	-	215,000
Goods and service tax recoverable	58,930	-	58,930	-
Other receivables	34,331	114,993	34,331	114,993
	<u>113,513</u>	<u>351,883</u>	<u>93,261</u>	<u>329,993</u>
Non-current				
Amounts receivable from:				
- wholly-owned subsidiaries	-	-	1,816,232	1,470,852
	<u>-</u>	<u>-</u>	<u>1,816,232</u>	<u>1,470,852</u>
6 Prepayments				
Current	<u>15,889</u>	<u>672,585</u>	<u>15,889</u>	<u>672,585</u>
Non-current	<u>-</u>	<u>13,889</u>	<u>-</u>	<u>13,889</u>
7 Investments in wholly-owned subsidiaries				
Biosceptre Pty Ltd	-	-	412,400	412,400
Intreat Pty Ltd	-	-	1,022,613	1,022,613
Bioquest Pty Ltd	-	-	420,000	420,000
Biopep Pty Ltd	-	-	29,030	29,030
	<u>-</u>	<u>-</u>	<u>1,884,043</u>	<u>1,884,043</u>

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8 Property, plant and equipment

Consolidated

	Plant and equipment	Computer equipment	Research equipment	Office Furniture	Total
	\$	\$	\$	\$	\$
Gross carrying amount at cost					
Balance at 1 July 2007	343,000	33,961	170,211	35,340	582,512
Additions	-	68,096	200,085	121,847	390,028
Disposals	-	-	-	-	-
Balance at 1 July 2008	343,000	102,057	370,296	157,187	972,540
Additions	-	7,948	8,135	3,681	19,764
Disposals	-	(14,474)	(112,761)	-	(127,235)
Balance at 30 June 2009	343,000	95,531	265,670	160,868	865,069
Accumulated depreciation					
Balance at 1 July 2007	(343,000)	(18,727)	(83,133)	(4,180)	(449,040)
Additions	-	(22,012)	(27,874)	(18,522)	(68,408)
Disposals	-	-	-	-	-
Balance at 1 July 2008	(343,000)	(40,739)	(111,007)	(22,702)	(517,448)
Additions	-	(42,344)	(49,569)	(23,316)	-
Disposals	-	12,966	73,746	-	-
Balance at 30 June 2009	(343,000)	(70,117)	(86,830)	(46,018)	(517,448)
Net book value					
As at 30 June 2008	-	61,318	259,289	134,485	455,092
As at 30 June 2009	-	25,414	178,840	114,850	319,104

Company

	Plant and equipment	Computer equipment	Research equipment	Office Furniture	Total
	\$	\$	\$	\$	\$
Gross carrying amount at cost					
Balance at 1 July 2007	343,000	33,961	170,211	35,340	582,512
Additions	-	68,096	200,085	121,847	390,028
Disposals	-	-	-	-	-
Balance at 1 July 2008	343,000	102,057	370,296	157,187	972,540
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Additions	-	(42,344)	(49,569)	(23,316)	-
Disposals	-	12,966	73,746	-	-
Balance at 30 June 2009	(343,000)	(70,117)	(86,830)	(46,018)	(517,448)
Net book value					
As at 30 June 2008	-	61,318	259,289	134,485	455,092
As at 30 June 2009	-	25,414	178,840	114,850	319,104

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Notes to the Financial Statements
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	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
9 Deferred tax assets				
Deferred tax assets comprise of:				
Tax losses - revenue	3,839,519	2,494,404	3,814,430	2,469,315
Temporary differences	71,684	55,983	71,684	55,983
	<u>3,911,203</u>	<u>2,550,387</u>	<u>3,886,114</u>	<u>2,525,298</u>

Consolidated

10 Intangible assets	Goodwill	Patents	Development	Total
			costs	
	\$	\$	\$	\$
Gross carrying amount				
Balance at 1 July 2007	2,219,031	1,272,702	1,130	3,492,863
Additions from patent applications	-	287,618	-	287,618
Balance at 1 July 2008	2,219,031	1,560,320	1,130	3,780,481
Impairment charged to profit or loss	-	(66,892)	-	(66,892)
Additions from patent applications	-	351,047	-	351,047
Balance at 30 June 2009	<u>2,219,031</u>	<u>1,844,475</u>	<u>1,130</u>	<u>4,064,636</u>

Accumulated amortisation and impairment

Balance at 1 July 2007	(28,321)	(206,846)	(1,130)	(236,297)
Amortisation expense	-	(77,459)	-	(77,459)
Balance at 1 July 2008	(28,321)	(284,305)	(1,130)	(313,756)
Amortisation expense	-	(91,489)	-	(91,489)
Impairment losses charged to profit or loss	-	3,345	-	3,345
Balance at 30 June 2009	<u>(28,321)</u>	<u>(372,449)</u>	<u>(1,130)</u>	<u>(401,900)</u>

Net book value

At 30 June 2008	2,190,710	1,276,015	-	3,466,725
At 30 June 2009	<u>2,190,710</u>	<u>1,472,026</u>	<u>-</u>	<u>3,662,736</u>

Company

Intangible assets	Goodwill	Patents	Development	Total
			costs	
	\$	\$	\$	\$
Gross carrying amount				
Balance at 1 July 2007	-	-	1,130	1,130
Additions from patent applications	-	55,456	-	55,456
Balance at 1 July 2008	-	55,456	1,130	56,586
Additions from patent applications	-	76,184	-	76,184
Balance at 30 June 2009	<u>-</u>	<u>131,640</u>	<u>1,130</u>	<u>132,770</u>

Accumulated amortisation and impairment

Balance at 1 July 2007	-	-	(1,130)	(1,130)
Amortisation expense	-	(2,773)	-	(2,773)
Balance at 1 July 2008	-	(2,773)	(1,130)	(3,903)
Amortisation expense	-	(6,582)	-	(6,582)
Impairment losses charged to profit or loss	-	-	-	-
Balance at 30 June 2009	<u>-</u>	<u>(9,355)</u>	<u>(1,130)</u>	<u>(10,485)</u>

Net book value

At 30 June 2008	-	52,683	-	52,683
At 30 June 2009	<u>-</u>	<u>122,285</u>	<u>-</u>	<u>122,285</u>

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Notes to the Financial Statements
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11 Trade and other payables	Consolidated		Company	
	2009	2008	2009	2008
Current	\$	\$	\$	\$
Trade payables	204,456	244,395	204,456	244,395
Sundry payables and accrued expenses	35,000	57,181	35,000	38,027
	<u>239,456</u>	<u>301,576</u>	<u>239,456</u>	<u>282,422</u>

Trade and other payables are generally payable on a 30 day term. Given the short-term nature of most payables, the recoverable amount approximates fair value.

12 Other liabilities				
Current				
Payroll liabilities	32,499	117,131	30,025	117,131
Other	70,056	-	70,056	-
	<u>102,555</u>	<u>117,131</u>	<u>100,081</u>	<u>117,131</u>

13 Issued capital				
22,538,226 fully paid ordinary shares (2008: 20,915,166)	19,246,280	16,120,210	19,246,280	16,120,210
	<u>19,246,280</u>	<u>16,120,210</u>	<u>19,246,280</u>	<u>16,120,210</u>

Movements in issued capital (Dollars)	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Balance at beginning of financial year	16,120,210	7,116,710	16,120,210	7,116,710
Issue of shares during the period	3,246,120	9,003,500	3,246,120	9,003,500
Share issue costs	(120,050)	-	(120,050)	-
Balance at end of financial year	<u>19,246,280</u>	<u>16,120,210</u>	<u>19,246,280</u>	<u>16,120,210</u>

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Movements in issued capital (Numbers)	Consolidated		Company	
	2009	2008	2009	2008
	No.	No.	No.	No.
Balance at beginning of financial year	20,915,166	17,487,867	20,915,166	17,487,867
Issue of shares during the period	1,623,060	3,427,299	1,623,060	3,427,299
Balance at end of financial year	<u>22,538,226</u>	<u>20,915,166</u>	<u>22,538,226</u>	<u>20,915,166</u>

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13 Issued capital (continued)

Fully paid 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 fully paid ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

a) Share based payment reserve

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Balance at beginning of financial year	-	-	-	-
Options granted during the period	75,555	-	75,555	-
Balance at end of financial year	75,555	-	75,555	-

During the period, the Group executed a confidential information memorandum with the view of providing a limited number of people, being professional and sophisticated investors with a personal offering of shares to be issued in the company. The plan is an offer of 2 shares for each \$3 value of remuneration foregone. The options have no exercise price and are non-transferrable.

The options have a term of 10 years and vest three years from the date of approval of the plan. The options are only exercisable on the exercise date being a date determined by the board and notified at least 10 business days before the closure of an initial public offering of shares on the stock exchange or immediately prior to a sale of the business assets of the company, or such earlier date as the directors might determine in their absolute discretion.

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Notes to the Financial Statements
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	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
14 Revenue				
Continuing operations				
Revenue from the sale of goods	147,389	162,135	-	-
Interest revenue	159,549	413,818	159,549	413,818
Government grants and other income	104,554	-	104,554	-
Total revenue	411,492	575,953	264,103	413,818
Interest revenue				
Bank term deposits	148,422	413,818	148,422	413,818
Australian Taxation Office	11,127	-	11,127	-
	159,549	413,818	159,549	413,818

15 Key management personnel

The following is a list of key management personnel and their positions during the year:

	<i>Position title</i>
Dr. Angus Gidley-Baird	Chief Executive Officer and Director
Alan Brian Bootes	Chairman of the Board and Director
Peter John Newton	Non-executive Director
Terrence Joseph Caplice	Non-executive Director
Dr. Paul John Kelly	Non-executive Director
Peter Grahame Coomber	Company Secretary/Chief Financial Officer

The aggregate compensation made to key management personnel of the company and the group is as follows:

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Short-term employee benefits	686,198	935,304	686,198	935,304
Post-employment benefits	87,104	544,400	87,104	544,400
Other long-term benefits	-	-	-	-
Share-based payments	67,221	400,000	67,221	400,000
	840,523	1,879,704	840,523	1,879,704

Share-Based Payments

Employee and Director Share Option Plan

The Group has put in place an Employee and Director Share Option Plan ("the Plan") as a strategy to preserving capital. The objective will be to use a significant proportion of the options as a partial alternative to base salary and directors' fee, hence preserving capital. The Plan was approved by the board in April 2009.

The outline of the Plan is as follows:

- Participation will be subject to the discretion of the board of directors of Biosceptre International Limited ("the Company"). Initially, participation will only be available to senior employees of the company (including executive directors of the company). Non-executive directors will also be eligible in the Plan.
- Options will be granted over unissued shares in the Company. Under the Plan currently, the Board will grant 3 options for each \$2.00 of annual remuneration which the employee or director agrees to forego.
- Options will vest on the third anniversary from the grant date and options must be exercised within 10 years from the date of grant and an option which is not exercised within this period will lapse.
- There is no exercise price payable in respect of exercise of the options.

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	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
16 Auditors remuneration				
Auditor of the parent entity				
Audit or review of the financial report	35,000	24,000	35,000	24,000
Other non-audit services - R&D consultancy	68,100	-	68,100	-
	<u>103,100</u>	<u>24,000</u>	<u>103,100</u>	<u>24,000</u>

17 Cash Flow Information

Reconciliation of operating loss to net cash flows from operating activities

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Net loss for the year	(3,508,063)	(4,173,999)	(3,321,560)	(3,966,548)
Depreciation and amortisation	270,266	175,672	121,811	99,898
Loss on asset disposal	40,523	-	40,523	-
Share issued for nil consideration	-	800,000	-	800,000
Share-based payments expense	75,555	-	75,555	-
(Increase)/decrease in trade and other receivables	23,370	,469	21,732	(73,477)
(Increase)/decrease in deferred tax asset	(1,360,816)	(1,616,580)	(1,360,816)	(1,616,580)
Increase/(decrease) in trade payables and accruals	(73,928)	75,638	(57,248)	105,511
Increase/(decrease) in provision for employee entitlements	61,942	(2,142)	61,942	(2,142)
(Increase)/decrease in prepayments	670,585	(686,473)	670,585	(686,473)
Net cash from operating activities	<u>(3,800,566)</u>	<u>(5,420,415)</u>	<u>(3,747,476)</u>	<u>(5,339,811)</u>

18 Operating lease commitments

Operating leases relate to the office premises and laboratory facility with terms of three years.

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

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Not longer than 1 year	144,838	192,575	144,838	192,575
Longer than 1 year and not longer than 5 years	14,194	132,350	14,194	132,350
Longer than 5 years	-	-	-	-
	<u>159,032</u>	<u>324,925</u>	<u>159,032</u>	<u>324,925</u>

Biosceptre International Limited**ABN 38 104 060 166****Notes to the Financial Statements****30 June 2009****19 Financial Instruments****(a) Capital risk 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.

(b) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contracted obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of no more than 5 customers in the biotechnology sector within Australia. The Group does not have any significant credit risk exposure to any single customer.

(c) Interest rate risk management

The Group and the company are not exposed to interest rate risk because the Group and the company have no borrowed funds.

The Group and company financial assets of cash are placed on term deposits with our major banker, the National Australia Bank, with terms ranging from 60 to 120 days and with interest rates ranging from 3.7% to 7.54%.

The Group and the company do not hold any derivative financial instruments (2008: nil)

(d) Fair value of financial instruments

The carrying values of financial instruments approximate their fair value at balance date.

20 Related party transactions**a) Equity interests in related parties.**

Equity interest in subsidiaries.

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 2(a) to the financial statements.

b) Transactions with key management personnel.

Key personnel compensation.

Details of key personnel compensation are disclosed in note 15 to the financial statements.

c) Share option transactions.

During the year share options were issued to key management personnel in accordance with provisions of the employee and director share option plan as follows:

	No. of options
Angus Gidley-Baird	225,000
Alan Brian Bootes	190,000
Peter John Newton	30,000
Terrence Joseph Caplice	30,000
Paul John Kelly	130,000

21 Contingent Liabilities

Under a Research and License Agreement between Domantis Limited and Biosceptre International Limited, Biosceptre is required to pay Domantis a one-off license fee of GBP 400,000 in the event of Biosceptre commercialising any of the lead antibodies produced under the research program.