

Biosceptre International Limited

and its controlled entities

ABN 38 104 060 166

Annual report for the financial year ended
30 June 2012

Biosceptre International Limited

Annual report for the financial year ended 30 June 2012

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Biosceptre International Limited

Directors' report (continued)

The directors of Biosceptre International Limited submit herewith the annual financial report of the company and its subsidiaries ("Group") for the financial year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the directors and senior management

The names and particulars of the directors of the company during or since the end of the financial year are:

Name	Particulars
Alan Bootes (Resigned 31 July 2011)	Mr Alan Bootes previously held 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.
Angus Gidley-Baird	Dr. Angus Gidley-Baird is responsible for Biosceptre's commercial and scientific strategy and directs the Company's research and development program. He has substantial senior level experience in research and commercialization of research results. Angus was a Research Director and Director of three publicly listed biomedical companies. He is an author/co-author of 39 publications in refereed scientific journals and is an inventor / co-inventor of 7 patent families. He has been a fulltime Research Director in biotechnology companies since 1994 and has managed the Biosceptre research and development projects since October 1999.
Terrence Caplice (Resigned 24 January 2012, appointed alternate for Peter Newton 20 March 2012)	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 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 was 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 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. Dr Kelly 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. He is a graduate of the University of New South Wales where he received his Bachelor of Medicine, Bachelor of Surgery (Honours), and Doctor of Medicine degrees. He is a Fellow of the Australian College of Physicians.
Gavin Currie	Mr Gavin Currie is the General Manager of Crea Ventures. His role oversees the investment activities of the Crea group of companies. Prior to Crea, Gavin co-founded Arbitrage Partners, a boutique transaction services business along with SAF

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Directors' report (continued)

Capital, a private equity business. He has a background of commercial success, wide industry knowledge, and distinguishing ability to challenge the status quo while working within a participative framework. Gavin has developed a reputation for delivering value by converting synergies from previously unseen opportunities and has been employed internationally in Australia, New Zealand, England, USA and Hong Kong, with experience in cross-border transactions and investments. Gavin holds a Bachelor of Business degree, Master of Business and Technology from the University of NSW and is a qualified CPA.

Clifford Holloway
(Resigned 1 August 2012)

Dr Clifford Holloway is Chief Executive Officer of Biosceptre International Limited and has over 20 years' experience in the commercialisation of emerging technologies and has been instrumental in the direction and expansion of company operations and joint ventures in the US, Europe and Asia. Following his early career in clinical research with Eli Lilly and Novartis he has since held senior and executive management positions in drug discovery platform, software technology and biopharmaceutical companies, including for Molecular Simulations (now Accelrys), Superscape and Pharmacopeia Drug Discovery Inc. He most recently held the position of Vice President, Business Development at Arana Therapeutics (now Cephalon) with responsibility for driving the company's commercialisation strategy through the partnering of antibody development programs and acquisitions of additional assets and technologies.

Michael Lovett
(Appointed 1 October 2012)

Mr Michael Lovett has a M.Sc in Systems Theory and for many years worked as a local government manager and as a psychologist in the United Kingdom. In 1996 Michael founded a social care business providing services for outsourced Local Government contracts and which through organic growth and acquisitions he grew to be the largest in the United Kingdom. He later sold the business to Private Equity. Michael has continued to develop his entrepreneurial interests and established a fund for early stage and seed capital investments in biotech, cleantech, medical equipment and veterinary sectors. Michael is a board member on several companies and believes his understanding of systems is of particular use where there is a need for strategic planning and operational clarity.

The above named directors held office during the whole of the financial year and since the end of the financial year, except where noted.

Company secretary

Nicholas Geddes

Mr Nicholas Geddes is the principal of Australian Company Secretaries, a company secretarial practice that he formed in 1993. Nicholas is past President of Chartered Secretaries Australia and a former Chairman of the NSW Council of that Institute. His previous experience, as a Chartered Accountant and Company Secretary, includes investment banking and development and venture capital in Europe, Africa, the Middle East and Asia. Nick is a Fellow of the Institute of Chartered Accountants in England and Wales and a Fellow of the Institute of Chartered Secretaries.

Principal activities

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

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

Review of operations

The consolidated loss for the Group after providing for income tax amounted to \$4,953,963 (2011: \$2,878,429).

Biosceptre International Limited

Directors' report (continued)

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.

Changes in state of affairs

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

Subsequent events

On the 19 October 2012, Biosceptre received a non-binding signed term sheet for \$3.3m for the express purpose of further development of an antibody lead candidate for systemic therapy purposes in relation to the systemic program and for the commercialisation of the inventions. Under the terms of the agreement Biosceptre will issue a number of ordinary shares to be determined by dividing the amount of funding received by the ordinary share price of \$2. Each share will also attach an option to purchase additional shares at \$0.01 per share.

Other than the above, 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future developments

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

Environmental regulations

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

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.

Indemnification of officers and auditors

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 to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

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Directors' report (continued)

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 8 board meetings were held.

Directors	Eligible to attend	Attended
Alan Bootes (Resigned 31 July 2011)	-	-
Angus Gidley-Baird	8	8
Terrence Caplice (Resigned 24 January 2012) Alternate for Peter Newton appointed 20 March 2012)	4	4
Peter Newton	8	6
Paul Kelly	8	8
Gavin Currie	8	8
Clifford Holloway (Resigned 1 August 2012)	7	7
Michael Lovett (Appointed 1 October 2012)	-	-

Auditor's independence declaration

The auditor's independence declaration is included on page 5 of the annual report.

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



Gavin Currie
Director



Angus Gidley-Baird
Director

Sydney, 31 October 2012

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

31 October 2012

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 2012, 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

DELOITTE TOUCHE TOHMATSU



Josh Tanchel
Partner
Chartered Accountants

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 statement of financial position as at 30 June 2012, and the statement of comprehensive income, 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 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 8 to 31.

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

Deloitte

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 consolidated entity's financial position as at 30 June 2012 and of its 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 modifying our opinion, we draw attention to Note 2 in the financial report, which indicates that during the 2012 financial year the consolidated entity incurred a net loss of \$4,953,963 (2011: \$2,878,429) and had net cash outflows from operating activities of \$3,405,411 (2011: \$2,200,455). These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the company and consolidated entity's ability to continue as going concerns and therefore, the company and consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Josh Tanchel
Partner
Chartered Accountants
Sydney, 31 October 2012

Biosceptre International Limited

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) the attached financial statements are in compliance with International Financial Reports Standards, as stated in note 2 to the financial statements;
- (c) 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 consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the Corporations Act 2001.

On behalf of the Directors



Gavin Currie
Director



Angus Gidley-Baird
Director

Sydney, 31 October 2012

Biosceptre International Limited

Consolidated statement of comprehensive income for the financial year ended 30 June 2012

	Note	2012 \$	2011 \$
Revenue	3	2,000	54,000
Other income	3	68,816	83,715
Employee benefits expense		(2,207,029)	(2,437,450)
Depreciation and amortisation expense		(207,404)	(196,442)
Impairments write-offs		(514,076)	-
Research and development		(1,851,081)	(422,472)
Travel expenses		(128,040)	(93,892)
Occupancy expense		(130,242)	(109,245)
General and administration expense		(555,312)	(502,037)
Other expenses		(134,003)	(66,861)
Loss before tax	4	(5,656,371)	(3,690,684)
Income tax(expense)/ income	5	702,408	812,255
Loss for the year		(4,953,963)	(2,878,429)
Other comprehensive income		-	-
Total comprehensive loss for the year		(4,953,963)	(2,878,429)

Notes to the financial statements are included on pages 13 to 31.

Biosceptre International Limited

Consolidated statement of financial position as at 30 June 2012

	Note	2012 \$	2011 \$
Current assets			
Cash and cash equivalents	6	995,944	2,265,580
Trade and other receivables	7	26,037	41,945
Current tax asset	5	702,408	812,255
Prepayments	8	25,064	-
Total current assets		1,749,453	3,119,780
Non-current assets			
Property, plant and equipment	9	391,023	235,672
Intangible assets	10	3,547,195	3,990,984
Total non-current assets		3,938,218	4,226,656
Total assets		5,687,671	7,346,436
Current liabilities			
Trade and other payables	11	359,965	173,336
Employee benefits– annual leave		169,932	181,413
Other liabilities	12	122,183	41,426
Total current liabilities		652,080	396,175
Non-current liabilities			
Employee benefits – long service leave		53,225	39,712
Total non-current liabilities		53,225	39,712
Total liabilities		705,305	435,887
Net assets		4,982,366	6,910,549
Equity			
Issued capital	13	26,342,186	23,392,186
Share option reserve	14	1,416,612	1,340,832
Accumulated losses		(22,776,432)	(17,822,469)
Total equity		4,982,366	6,910,549

Notes to the financial statements are included on pages 13 to 31.

Biosceptre International Limited

Consolidated statement of changes in equity for the financial year ended 30 June 2012

	Issued capital \$	Share option reserves \$	Retained earnings- \$	Total \$
Balance at 1 July 2010	20,276,336	629,721	(14,944,040)	5,962,017
	-	-	(2,878,429)	(2,878,429)
Loss for the period	-	-	-	-
Other comprehensive income	-	-	-	-
Total comprehensive income and expense	-	-	(2,878,429)	(2,878,429)
Recognition of share based payments	-	711,111	-	711,111
Shares issued during the year	3,192,500	-	-	3,192,500
Share issue expenses	(76,650)	-	-	(76,650)
Balance at 30 June 2011	23,392,186	1,340,832	(17,822,469)	6,910,549
Balance at 1 July 2011	23,392,186	1,340,832	(17,822,469)	6,910,549
Loss for the period	-	-	(4,953,963)	(4,953,963)
Other comprehensive income	-	-	-	-
Total recognised income and expense	-	-	(4,953,963)	(4,953,963)
Recognition of share based payments	-	525,780	-	525,780
Shares issued during the year	2,950,000	(450,000)	-	2,500,000
Share issue expenses	-	-	-	-
Balance at 30 June 2012	26,342,186	1,416,612	(22,776,432)	4,982,366

Notes to the financial statements are included on pages 13 to 31.

Biosceptre International Limited

Consolidated statement of cash flows for the financial year ended 30 June 2012

	<u>Note</u>	<u>2012</u> <u>\$</u>	<u>2011</u> <u>\$</u>
Cash flows from operating activities			
Receipts from customers		2,000	4,000
Payments to suppliers and employees		(4,219,666)	(2,887,824)
R&D tax concession offset		812,255	683,383
Net cash used in operating activities	16(b)	(3,405,411)	(2,200,455)
Cash flows from investing activities			
Payments for property, plant and equipment		(233,977)	(38,354)
Interest received		68,816	111,167
Payments for intangible assets		(199,064)	(347,533)
Net cash used in investing activities		(364,225)	(274,720)
Cash flows from financing activities			
Proceeds from issues of equity securities		2,500,000	3,115,850
Net cash provided by financing activities		2,500,000	3,115,850
Net increase/(decrease) in cash and cash equivalents		(1,269,636)	640,675
Cash and cash equivalents at the beginning of the financial year		2,265,580	1,624,905
Cash and cash equivalents at the end of the financial year	16(a)	995,944	2,265,580

Notes to the financial statements are included on pages 13 to 31.

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Notes to the financial statements for the financial year ended 30 June 2012

1. General information

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

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

Registered office and principal place of business

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

Statement of compliance

The financial report is a general purpose financial report which 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 consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial 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').

The financial statements were authorised for issue by the directors on 31 October 2012.

Basis of preparation

The financial report has been prepared on 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.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values 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 to be 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.

Key sources of estimation uncertainty

(i) Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined; and,

(ii) Valuation of goodwill

No impairment loss has been recognised in respect of goodwill for the year ended 30 June 2012 as the company believes that the carrying value of goodwill is fully supported by the current share value and future earnings.

Biosceptre International Limited

Notes to the financial statements for the financial year ended 30 June 2012

2. Significant accounting policies (continued)

Adoption of new and revised Accounting Standards

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 its operations and effective for the current annual reporting period.

Going concern

The consolidated financial statements have been prepared on the 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.

During the year ended 30 June 2012 the consolidated entity incurred a net loss of \$4,953,963 (2011: \$2,878,429) and had net cash outflows from operating activities of \$3,405,411 (2011: \$2,200,455). As at 30 June 2012 the consolidated entity has net assets of \$4,982,366 (2011: \$6,910,549). Further, as disclosed in note 22, the company incurred a net loss of \$4,860,522 (2011: \$2,804,167) and has net assets of \$4,664,351 (2011: \$7,201,501).

The ability of the company and the consolidated entity to continue as going concerns is dependent on their ability to:

1. Meet the milestones in the current funding agreement for the Polyclonal Development Plan to ensure continued funding from Silvercrest Investment Holdings Limited under the terms of the agreement; and
2. Obtain additional funding to meet working capital requirements to fund additional future projects.

Polyclonal Development Plan

Biosceptre and Silvercrest Investment Holdings Limited executed a Heads of Agreement on 23 December 2009 which gave Silvercrest the right to fund and undertake the Polyclonal Development Plan. Silvercrest agreed to fund Biosceptre for the express purpose of the Polyclonal Development Plan and to subscribe for Ordinary Shares and Options in Biosceptre.

During the current financial year a funding agreement was signed between Biosceptre and Silvercrest Investment Holdings Limited on 9 August 2011. Biosceptre have received \$2,500,000 in funding under the terms of the agreement during the current financial year.

The directors are confident in the ability of the company to continue to meet the milestones under the funding agreement so as to receive continued funding from Silvercrest.

Additional Future Projects

The company has prepared an analysis of its cash requirements for the next 12 months which indicates that the consolidated entity only has sufficient cash resources to fund its additional projects until December 2012. Therefore, the consolidated entity will need additional funding to meet working capital requirements in respect of these additional projects.

In order to raise sufficient additional funding to meet the requirements of the consolidated entity and to manage its future cash outflows, since 30 June 2012 the directors have undertaken the following initiatives:

- Entered into discussions with potential investors;
- Undertaken a programme to continue to monitor the consolidated entity's ongoing working capital requirements; and
- Continued their focus on maintaining an appropriate level of corporate overheads in line with the consolidated entity's available cash resources.

The consolidated entity has historically been able to raise equity funding by way of private placements to meet its ongoing working capital requirements. As disclosed in note 23, the company has, subsequent to year end, received a non-binding signed term sheet from a third party for an additional \$3,300,000 of funding. The directors are confident that the consolidated entity will be able to raise the necessary funding to meet future working capital requirements during the period of at least 12 months from the date of this financial report.

In the event of being unable to obtain funding in the short-term, the directors will seek to put on hold the additional future projects until such time as additional equity funding can be raised.

Biosceptre International Limited

Notes to the financial statements for the financial year ended 30 June 2012

2. Significant accounting policies (continued)

Going concern (continued)

At the date of this report, and having considered the above factors, the directors are confident that the company and the consolidated entity will be able to continue as going concerns. Notwithstanding this, if additional funding to meet working capital requirements is not obtained, there is significant uncertainty whether the company and the consolidated entity 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 entity be unable to continue as going concerns.

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(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 statement of comprehensive income 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:

	2012	2011
Biosceptre Pty Ltd	100%	100%
Intreat Pty Ltd	100%	100%
Bioquest Pty Ltd	100%	100%
Biopep Pty Ltd	100%	100%

Biosceptre International Limited

Notes to the financial statements for the financial year ended 30 June 2012

2. Significant accounting policies (continued)

(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 as 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 statement of cash flow 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 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.

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Biosceptre International Limited

Notes to the financial statements for the financial year ended 30 June 2012

2. Significant accounting policies (continued)

(g) Income tax (continued)

Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and Deferred Tax for the Period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, 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.

(h) Cash and cash equivalents

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

Biosceptre International Limited

Notes to the financial statements for the financial year ended 30 June 2012

2. Significant accounting policies (continued)

(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 statement of comprehensive income.

(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.

(l) **Employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, and long service 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.

Biosceptre International Limited

Notes to the financial statements for the financial year ended 30 June 2012

2. Significant accounting policies (continued)

(o) **Operating leases**

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

(p) **Standards and Interpretations issued not yet effective**

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The potential impact of the new or revised Standards and Interpretations has not yet been determined.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 9 'Financial Instruments', AASB 2009-11 and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9'	1 January 2015	30 June 2016
• AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'	1 July 2012	30 June 2013
• AASB 7 'Financial Instruments: Disclosures'	1 July 2012	30 June 2013
• AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
• AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
• AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
• AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
• AASB 101 'Presentation of Financial Statements'	1 July 2012	30 June 2013
• AASB 112 'Income taxes'	1 July 2012	30 June 2013
• AASB 119 'Employee Benefits'(2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
• AASB 120 'Accounting for Government Grants and Disclosure of Government Assistance'	1 July 2012	30 June 2013
• AASB 121 'The Effects of Changes in Foreign Exchange Rates'	1 July 2012	30 June 2013
• AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
• AASB 128 'Investments in Associates and Joint Ventures'	1 January 2013	30 June 2014
• AASB 132 'Financial Instruments: Presentation'	1 July 2012	30 June 2013
• AASB 133 'Earnings per Share'	1 July 2012	30 June 2013
• AASB 134 'Interim Financial Reporting'	1 July 2012	30 June 2013

Biosceptre International Limited

Notes to the financial statements for the financial year ended 30 June 2012

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	30 June 2014
• AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013
• AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
• AASB 2012-3 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
• AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'	1 January 2013	30 June 2014
• AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures' (Amendments to AASB 9 and AASB 7)	1 January 2013	30 June 2014
At the date of authorisation of the financial statements, the following IASB was also in issue but not effective, although an Australian equivalent Standard has not yet been issued:		
• Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	1 January 2013	30 June 2014

3. Revenue

	Consolidated	
	2012 \$	2011 \$
Revenue		
Revenue from the sale of goods	2,000	4,000
Other	-	50,000
	2,000	54,000
Other Income		
<i>Interest revenue breakdown:</i>		
- Bank term deposits	68,816	83,715
	68,816	83,715

Biosceptre International Limited

Notes to the financial statements for the financial year ended 30 June 2012

	Consolidated	
	2012	2011
	\$	\$
4. Loss for the year		
Loss for the year includes the following expenses:		
Depreciation of non-current assets – plant and equipment	78,627	63,833
Impairment of goodwill	-	3,741
Amortisation of non-current assets - intangibles	128,777	128,868
	<u>207,404</u>	<u>196,442</u>
Research and development costs immediately expensed	<u>1,851,081</u>	<u>422,472</u>
Operating lease rental expenses:		
Minimum lease payments	<u>130,242</u>	<u>109,245</u>
Employee benefits expense:		
Post-employment benefits:		
Defined contribution plans	81,254	89,446
	<u>81,254</u>	<u>89,446</u>
Share-based payments:		
Equity-settled share-based payment	525,779	711,111
	<u>607,033</u>	<u>800,557</u>
Other employee benefits	1,599,996	1,636,893
	<u>2,207,029</u>	<u>2,437,450</u>

Biosceptre International Limited

Notes to the financial statements for the financial year ended 30 June 2012

5. Income taxes

Income tax recognised in profit or loss

	Consolidated	
	2012	2011
	\$	\$
Tax expense/(income) comprises:		
Current tax expense in respect of the current year	(702,408)	(812,255)
Reversal of previously recognised tax losses as deferred tax assets now derecognised	-	-
	(702,408)	(812,255)

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

	Consolidated	
	2012	2011
	\$	\$
Loss from operations	(5,656,371)	(3,740,684)
Income tax expense calculated at 30%	(1,696,911)	(1,122,205)
Effect of expenses that are not deductible in determining taxable profit	829,405	218,719
Other deductible expenses	(32,673)	(30,300)
Effect of tax offset – R&D expenditure	(702,408)	(248,552)
Effect of share issue expense credited to equity	-	(4,599)
R&D tax concession received	-	(563,703)
Current tax losses and tax offsets not recognised as deferred tax assets	900,179	938,385
	(702,408)	(812,255)
Unused tax losses for which no deferred tax asset has been recognised	19,442,749	13,818,897
Potential tax benefit @ 30%	5,832,825	4,145,669
Tax effect of temporary differences not recognised	66,947	66,337

The company is in discussions with the government in regards to the eligibility of overseas expenditure for R&D tax offset. Technical documentation has been lodged by the company to support the eligibility. Should approval be received the company will be entitled to claim a further offset of \$787,041. The financial statements do not reflect this as approval has not yet been received.

6. Cash and cash equivalents

	Consolidated	
	2012	2011
	\$	\$
Cash on hand	600	600
Cash at bank	153,535	27,112
Short-term bank deposits	840,588	2,236,647
Other cash and cash equivalents	1,221	1,221
	995,944	2,265,580

Biosceptre International Limited

Notes to the financial statements for the financial year ended 30 June 2012

7. Trade and other receivables

	Consolidated	
	2012	2011
	\$	\$
Current		
Goods and services tax recoverable	26,037	41,945
	26,037	41,945

8. Prepayments

	Consolidated	
	2012	2011
	\$	\$
Prepayments	25,064	-
	25,064	-

9. Property, plant and equipment

	Consolidated				
	Plant and equipment at cost \$	Computer equipment at cost \$	Research equipment at cost \$	Office furniture at cost \$	Total \$
Gross carrying amount					
Balance at 1 July 2010	343,000	98,674	269,962	156,583	868,219
Additions	-	10,356	26,735	1,263	38,354
Disposals	-	(3,590)	-	-	(3,590)
Balance at 30 June 2011	343,000	105,440	296,697	157,846	902,983
Additions	-	-	233,977	-	233,977
Disposals	-	-	-	-	-
Balance at 30 June 2012	343,000	105,440	518,774	157,846	1,136,960
Accumulated depreciation					
Balance at 1 July 2010	(343,000)	(77,860)	(123,440)	(62,644)	(606,944)
Depreciation expense	-	(16,019)	(32,434)	(15,380)	(63,833)
Disposals	-	3,466	-	-	3,466
Balance at 30 June 2011	(343,000)	(90,413)	(155,874)	(78,024)	(667,311)
Depreciation expense	-	(9,368)	(56,307)	(12,952)	(78,627)
Disposals	-	-	-	-	-
Balance at 30 June 2012	(343,000)	(99,781)	(200,281)	(90,976)	(745,938)
Net book value					
As at 30 June 2011	-	15,027	140,823	79,822	235,672
As at 30 June 2012	-	5,659	318,493	66,871	391,023

Biosceptre International Limited

Notes to the financial statements for the financial year ended 30 June 2012

10. Intangibles

	Consolidated			Total \$
	Goodwill \$	Patents \$	Development costs \$	
Gross carrying amount				
Balance at 1 July 2010	2,219,031	2,052,546	1,130	4,272,707
Disposals	(3,741)	-	-	(3,741)
Additions from patent applications	-	347,533	-	347,533
Balance at 30 June 2011	2,215,290	2,400,079	1,130	4,616,499
Impairment	-	(682,187)	-	(682,187)
Additions from patent applications	-	199,064	-	199,064
Balance at 30 June 2012	2,215,290	1,916,956	1,130	4,133,376
Accumulated amortisation and impairment				
Balance at 1 July 2010	(28,321)	(467,196)	(1,130)	(496,647)
Amortisation expense	-	(128,868)	-	(128,868)
Disposals	-	-	-	-
Balance at 30 June 2011	(28,231)	(596,064)	(1,130)	(625,515)
Amortisation expense	-	(128,777)	-	(128,777)
Impairment	-	168,111	-	168,111
Balance at 30 June 2012	(28,231)	(556,730)	(1,130)	(586,181)
Net book value				
As at 30 June 2011	2,186,969	1,804,015	-	3,990,984
As at 30 June 2012	2,186,969	1,360,226	-	3,547,195

Biosceptre International Limited

Notes to the financial statements for the financial year ended 30 June 2012

11. Trade and other payables

	Consolidated	
	2012	2011
	\$	\$
Trade payables	320,589	122,394
Sundry payables and accrued expenses	39,376	50,942
	359,965	173,336

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

	Consolidated	
	2012	2011
	\$	\$
Payroll liabilities	121,983	41,426
Other liabilities	200	-
	122,183	41,426

13. Issued capital

	Consolidated	
	2012	2011
	\$	\$
26,254,129 fully paid ordinary shares (2011: 24,704,129)	26,342,186	23,392,186

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.

	2012		2011	
	No.	\$	No.	\$
Fully paid ordinary shares				
Balance at beginning of financial year	24,704,129	23,392,186	23,107,879	20,276,336
Issue of shares during the period	1,550,000	2,950,000	1,596,250	3,192,500
Share issue costs	-	-	-	(76,650)
	26,254,129	26,342,186	24,704,129	23,392,186

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share options granted under the employee share option plan

Options granted under the employee share option plan are disclosed in note 14.

Other share options in issue

As at 30 June 2012, the company has 1,617,500 share options on issue (2011: nil), exercisable on a 1:1 basis for ordinary shares of the company (2011: nil) at an exercise price of \$2.00. The options expired between 1 July 2013 and 30 July 2014, and carried no rights to dividends and no voting rights.

Biosceptre International Limited

Notes to the financial statements for the financial year ended 30 June 2012

14. Share option reserve

	Consolidated	
	2012	2011
	\$	\$
Share based payment reserve		
Balance at beginning of financial year	1,340,832	629,721
Options granted during the period	525,780	711,111
Shares issued	(450,000)	-
	1,416,612	1,340,832
Balance at end of financial year	1,416,612	1,340,832

The Group has executed a confidential information memorandum with the view of providing a limited number of executives, being professional and sophisticated investors with a personal offering of shares to be issued in the company. The plan is an offer of 3 options for each \$2 value of remuneration foregone. The options have no exercise price and are non-transferrable. During the year no options were issued (2011: 200,000). There are currently 570,000 (2011: 1,150,000) options on issue to these people. The options expire between 30 April 2019 and 30 June 2021.

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.

During the financial year 300,000 (2011: Nil) share options were exercised. No share options were forfeited during the financial year.

Further information about the share based payments to employees is set out in note 19.

15. Leases

Non-cancellable operating lease commitments

	Consolidated	
	2012	2011
	\$	\$
Not longer than 1 year	69,762	117,884
Longer than 1 year and not longer than 5 years	-	43,414
Longer than 5 years	-	-
	69,762	161,298

Operating leases relate to the office premises and laboratory facility with terms of one year.

Biosceptre International Limited

Notes to the financial statements for the financial year ended 30 June 2012

16. Cash and cash equivalents

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of changes in equity, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of changes in equity is reconciled to the related items in the statement of financial position as follows:

	Consolidated	
	2012	2011
	\$	\$
Cash and cash equivalents	995,944	2,265,580

(b) Reconciliation of loss for the year to net cash flows from operating activities

	Consolidated	
	2012	2011
	\$	\$
Loss for the year after tax:	(4,953,963)	(2,878,429)
Loss on sale or disposal of non-current assets	-	125
Depreciation and amortisation	207,404	196,442
Discontinued patent series write-off	514,076	-
Share based payments expense	525,780	711,111
Interest received	(68,816)	(111,167)
(Increase)/decrease in tax asset	109,847	(128,872)
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Trade and other receivables	15,908	29,084
Prepayments	(25,064)	13,556
Increase/(decrease) in liabilities:		
Trade and other payables	267,385	(66,951)
Provisions	2,032	34,646
Net cash outflows from operating activities	(3,405,411)	(2,200,455)

Biosceptre International Limited

Notes to the financial statements for the financial year ended 30 June 2012

17. Financial instruments

(a) Capital risk management

The Group manages its capital to provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's overall strategy remains unchanged from 2011.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 6, 13 and 14 respectively.

There are no externally imposed capital requirements

Operating cash flows are used to fund research and development activities and to make routine outflows of tax and other operating expenses.

There have been no changes in the strategy adopted by management in managing the capital of the Group since the prior year.

(b) Market risk

The Group's activities are not materially exposed to the financial risks of changes in foreign currency exchange rates.

(c) Interest rate risk management

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

The company and the Group's financial assets of cash are placed on term deposits with our major banker, the National Australia Bank, with terms ranging from 60 to 90 days and with interest ranging from 5% to 6%.

The Group does not hold any derivative financial instruments (2011: nil)

(d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has 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.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of no more than 3 customers in the biotechnology sector within Australia.

(e) Fair value of financial instruments

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

Biosceptre International Limited

Notes to the financial statements for the financial year ended 30 June 2012

18. 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 the payment of base salary and directors' fees, 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.

19. Key management personnel compensation

The aggregate compensation made to directors and other members of key management personnel of the company and the Group is set out below:

	Consolidated	
	2012	2011
	\$	\$
Short-term employee benefits	615,666	584,525
Post-employment benefits	21,600	19,442
Share-based payment	434,129	611,110
	<u>1,071,395</u>	<u>1,215,077</u>

Details of key management personnel

The directors and other members of key management personnel of the Group during the year were:

- Paul Kelly Acting Chairman and Non-executive Director
- Clifford Holloway (resigned 1 August 2012) Chief Executive Officer and Director
- Angus Gidley-Baird Chief Scientific Officer and Director
- Peter Newton Non-executive Director
- Terrence Caplice (resigned 24 January 2012, appointed alternate for Peter Newton 20 March 2012) Non-executive Director
- Alan Brian Bootes (Resigned 31 July 2011) Non-executive Director
- Gavin Currie Non-executive Director

Biosceptre International Limited

Notes to the financial statements for the financial year ended 30 June 2012

20. Related party transactions

(a) **Equity interests in related parties**

Equity interests 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 management personnel compensation

Details of key management personnel compensation are disclosed in note 19 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:

	2012	2011
	No. of options	No. of options
Gavin Currie	-	100,000
Clifford Michael Holloway	-	100,000

21. Remuneration of auditors

	Consolidated	
	2012	2011
	\$	\$
Auditor of the parent entity		
Audit or review of the financial report	38,675	36,750
Other non-audit services – R&D consultancy	70,000	85,110
	108,675	121,860

The auditor of Biosceptre International Limited is Deloitte Touche Tohmatsu.

22. Parent entity disclosures

The following financial information disclosures are in respect of the parent entity only:

	2012	2011
	\$	\$
Financial position		
Assets		
Current assets	1,047,045	3,119,778
Non-current assets	4,322,611	4,517,611
Total assets	5,369,656	7,637,389
Liabilities		
Current liabilities	652,080	396,176
Non-current liabilities	53,225	39,712
Total liabilities	705,305	435,888

Biosceptre International Limited

Notes to the financial statements for the financial year ended 30 June 2012

22. Parent entity disclosures (continued)

	2012 \$	2011 \$
Equity		
Issued capital	26,342,186	23,392,186
Retained earnings	(23,094,447)	(17,531,517)
Share option reserves	1,416,612	1,340,832
	<hr/>	<hr/>
Total equity	4,664,351	7,201,501
	<hr/>	<hr/>
<i>Financial performance</i>		
Loss for the year	(4,860,522)	(2,804,167)
Other comprehensive income	-	-
	<hr/>	<hr/>
Total comprehensive loss	(4,860,522)	(2,804,167)
	<hr/>	<hr/>

23. Subsequent events

On the 19 October 2012, Biosceptre received a signed non-binding term sheet for \$3.3m for the express purpose of further development of an antibody lead candidate for systemic therapy purposes in relation to the systemic program and for the commercialisation of the inventions. Under the terms of the agreement Biosceptre will issue a number of ordinary shares to be determined by dividing the amount of funding received by the ordinary share price of \$2. Each share will also attach an option to purchase additional shares at \$0.01 per share.

Other than the above, 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.