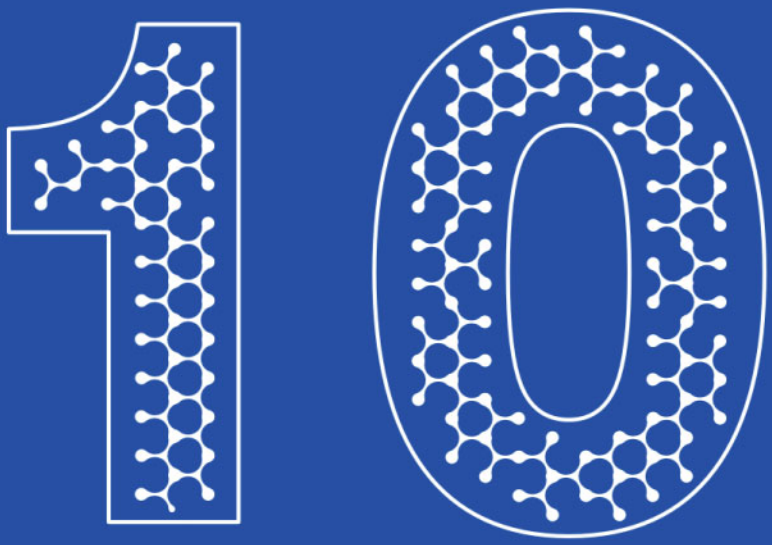
biotech
CAPITAL INVEST TO CREATE



Biotech Capital Limited Annual Report

Year ended 30th June 2010

BioTech Capital Limited
ABN 45 091 979 172

Managed by Titan BioVentures
Management Pty Ltd
ABN 63 136 901 432

Contents

Chairman's Address 2010

It is my pleasure to present to you the 2010 Annual Report for BioTech Capital Ltd ("BTC").

The past year has been one of change for BTC as the Board progressed with its decision to discontinue actively investing in the life-sciences area given the continued chronic investor apathy towards the sector.

We flagged last year that no new investments would be made in the sector and that we would focus on supporting existing investees and taking active steps to monetise these holdings and return capital to shareholders.

BTC was established in 2000 and managed in a similar fashion to a traditional private equity fund but as an "evergreen" fund it had no formal wind up date. In addition, BTC was listed on the stock market whereas traditional private equity funds remain unlisted and very illiquid during the term of their investment horizon. It has become clear that running private equity style mandates in a publicly listed entity has several drawbacks. In particular, the inability to properly communicate the diverse range of holdings and in particular the private investments, results in the share-price trading consistently at a large discount to the underlying asset value.

As part of this restructure, we recently sought approval from shareholders to acquire the external investment manager – Titan Bioventures Management – and internalise the investment management function. This forms part of an orderly strategy over a 24 month time-frame to liquidate the portfolio and return capital to shareholders without compromising our ability to extract maximum value from our investments.

The Board has conducted a review of the unlisted investment portfolio and have adopted a very conservative provisioning approach recognising the shorter time-frame to realise these investments under the revised strategy.

Asset sales have commenced and we have sold our stakes in Alchemia and Starpharma. In keeping with our previously announced plan, as proceeds are received from these sales the Board would begin to implement dividends and/or other capital management strategies. We recently declared a 2 cent per share dividend and expect to be in a position to return additional capital to shareholders over coming months.

We also announced the retirement from the Board of Professor Tony Basten as the focus was on divestments and containing administrative costs and as such no longer required a skill set similar to Tony's. We would like to thank Tony for his contributions to the Board over the years and wish him well for the future.

The broader economic picture globally remains fragile with limited signs of a sustainable upturn in the major developed economies. Australia seems to continue to stand out from the majority of the rest of the world with a very resilient economy driven largely by a booming resources sector.

Investor appetite for risk, at least in the life sciences area, remains weak and confirms the Board's view that the current structure of BioTech Capital is not optimal to derive acceptable returns from the Australian life-science sector.

In conclusion, I thank you for your continued support and look forward to welcoming you to our forthcoming Annual General Meeting.

Kathryn Greiner

Chairman

Investment Manager Report

The past twelve months have been a generally difficult time for the Australian life science sector with many high profile clinical failures. This has led to a denting of investor confidence and a continued lack of interest in the smaller end of the listed universe. Many listed companies have run out of cash and have moved towards changing their activities away from the healthcare sector.

The availability of capital remains a significant constraint on the successful development of the Australian sector with pressure at most parts of the development pipeline from start-up capital into expansion capital and the relatively large amounts of funding required to conduct clinical trials.

Accordingly, it is extremely difficult to attract investors in to early stage projects when the prospect of obtaining the necessary follow-on funding remains low and the likelihood of achieving an exit via a public listing remains elusive.

What capital there is available, is being selectively invested and management are continually being forced to focus on lead programmes and conserve cash to maximise chances of achieving value-adding milestones. Companies that lacked the underlying technology and/or had management teams that did not respond fast enough have either run out of cash and are now in the hands of administrators or receivers, or are destined to do so as cash balances dwindle to unsustainably low levels.

The revised investment strategy recognises these macro factors and steps have now been taken to commence an orderly sell-down of the investment portfolio. A review of each investee company has been conducted and a strategy developed to liquidate the holdings over the next 24 months. These strategies include on-market sales, in specie distributions, trade sales and management buyouts. Further details cannot be provided at this stage as we believe this could prejudice our position. However, no "forced sales" are envisaged as this would only be detrimental to existing shareholders.

Portfolio Companies:

BioComm Services Pty Ltd

Biocomm provides BioTech Capital exposure to two underlying businesses – Hatchtech and Relevare (previously CNS Bio).

Hatchtech: In March 2010 the company confirmed it had concluded a successful Phase IIa clinical trial evaluating DeOvo™, an investigational proprietary drug being developed as a new topical treatment for head lice infestation. The double-blind placebo-controlled study was conducted in 30 heavily infested adult subjects. It was primarily designed to assess the safety profile of the product following a single 10-20 minute application to the hair and scalp. An analysis of the data concluded that DeOvo™ is safe and well tolerated.

In addition to the primary goal of safety and tolerability an assessment of efficacy was undertaken. Treatment success was defined as no live lice and no live eggs following application of the product. The data indicate that DeOvo™ had significant ovicidal and louisicidal activity by comparison to the vehicle control and will provide important guidance for the design of the planned phase IIb study. This activity was seen with only a single, short 10 or 20 minute contact time which contrasts very favourably with currently marketed lousicidal products, most of which require two applications and treatment times of up to 12 hours.

Relevare: Relevare has presented Phase IIa proof-of-concept clinical trial data and extension study results for CNSB015 (flupirtine), its lead repositioned compound. The results of the recently completed 12-month open-label extension study provided further evidence of the safety and efficacy of flupirtine. In particular, the data indicate clinically relevant improvements for the patients involved in the study in terms of both pain relief and quality of life (mean reductions in BPI Pain Severity and Pain Interference Indices of approximately 30%) when flupirtine is given as an adjunct to opioids.

Flupirtine is orally administered, and used in combination with opioids for the treatment of neuropathic pain. It works by opening potassium channels in the spinal cord and reducing responsiveness and sensitivity to pain signals. Flupirtine may also prevent and/or reverse the development of tolerance to opioid drugs, delivering long-term efficacy of flupirtine/opioid combination therapies without the need to increase dosage.

Biocomm has no other operating activities and as such has no reliance on on-going funding from its shareholders. The Board of Biocomm have resolved to carry out a distribution of assets upon a liquidity event – which is obviously contingent upon market conditions.

Continara Ltd (formerly Continence Control Systems Pty Ltd)

Continara has developed a novel Faecal Management System ("CoVac"), which irrigates the bowel through the stoma providing a next generation system for colostomy patients to better manage their bowel movements offering greater speed as well as less direct handling of waste material. In addition, the company retains a novel neuro-stimulation technology for the treatment of severe urinary incontinence.

The Company has been attempting to secure additional capital to drive development towards the commencement of a European trial of CoVac and has been exploring a number of options. This resulted in an agreement with an ASX-listed company to pursue a merger arrangement subject to a minimum level of funding being obtained by the listed company. This minimum threshold was not achieved and discussions have now ceased.

The Company is now exploring other avenues to attract capital or to sell the technology in order to progress the development of the company's assets to the next level.

Costs are being contained until certainty of funding is secured.

Generic Health Pty Ltd

Generic Health has a focus on becoming a sustainable low cost supplier of key pharmaceutical products undergoing patent expiry. The company has since established a number of exclusive supply agreements for the Australian market and now has an extensive product portfolio of approved and in development molecules across the hospital and retail divisions.

In August 2008 the company announced that it had secured a strategic partnership with Lupin Ltd – a top 5 Indian pharmaceutical company that also includes a significant equity investment in the company.

Revenues continue to grow strongly with triple-digit growth achieved over the year on a declining overhead base.

The generics industry remains attractive, albeit very competitive, as many more key molecules will come off patent over the next few years and Generic Health is positioned well to benefit from this industry growth with the backing of a major industry player.

NeuroDiscovery Ltd (ASX: NDL)

The company has for some time been exploring potential restructuring opportunities to identify a sustainable platform from which to generate future shareholder wealth. As evidenced recently, and as part of this restructuring, the Company sought and obtained shareholder approval to sell the services business for approximately AUD$850,000 to a management buy-out team comprising individuals from NeuroSolutions and the University of Warwick. This transaction has now successfully concluded.

In addition, having obtained clinical data with the lead drug candidates NSL-043 and NSL-101, and in order to conserve the Company's cash the Board concluded, for a variety of reasons, that there was not a continuing need to build upon the current drug development pipeline and to instead seek partnering opportunities for its two clinical-stage programmes to progress their commercialisation.

As such, during December 2009 the company advised its joint development partner, Sosei Corporation, it would not contribute its share of the outstanding costs of development of NSL-043. Following on from that decision it was resolved to assign the Company's interest in NSL-043 back to Sosei. In return for the assignment, Sosei agreed that, for the life of the existing granted NSL-043 patent, a percentage of any future revenue will be paid to NeuroDiscovery.

Today the potential percentage revenue payment share to NeuroDiscovery would be 32%. However, if additional Sosei investment occurs this future revenue share would be calculated via an agreed formula in which NeuroDiscovery's percentage of revenue is diluted. The Company believes that there remains the potential for significant returns to NeuroDiscovery shareholders if Sosei successfully commercialise NSL-043.

During the year, NeuroDiscovery was assigned 100% ownership of NSL-101 from NeuroSolutions. NSL-101 is a natural product formulation that the Company has been developing as an over the-counter product for the treatment of pain. The proof of concept achieved with the Phase II trial of NSL-101 in periodontitis led to a new patent filing to help protect the intellectual property position through claims relating to the preparative methods and formulation used and forms a component of the data package for discussion with third parties, who have expressed interest in this clinical-stage asset. The Board intends to seek commercialisation of this programme during the next twelve months and will continue to commit the necessary funds to seek such an outcome.

Pacific Knowledge Systems Pty Ltd

Pacific Knowledge Systems continues to grow revenues through the successful commercialisation of its underlying decision support software to the pathology industry

and related sectors. The company has now been operating on a cash-flow positive basis for some time. Over the past 12 months there has been considerable growth in offshore derived-revenues as customer acceptance of the technology continues to grow.

The company's main product, LabWizard™, is a tool for leveraging clinical pathologists' expertise in today's highly demanding lab environment. The product integrates into the lab's reporting workflow to append clinically relevant and helpful narrative interpretations of pathology results.

Other applications continue to be developed in partnership with global companies that see the benefit of incorporating PKS technology in their product lines. This also includes several activities outside of the health-care space.

The Board is focused on continuing to grow revenues through expansion of the geographic footprint as well as developing applications for new markets. The revenue model is very attractive providing considerable recurring revenue streams that can be very valuable. Discussions continue with regard to potential trade sale activities which remains the most likely exit strategy for shareholders.

Phylogica Ltd (ASX: PYC)

Phylogica owns a novel suite of intellectual property around its proprietary Phylomer® technology which can be used to not only discover peptide-based drugs but also as a tool for the pharmaceutical industry to validate cellular targets of interest and in several other applications.

Phylogica has demonstrated that its technology has the ability to generate potential drug leads at far higher efficiencies than traditional techniques. In addition, it has also demonstrated the ability to find potential drugs that can bind to targets of interest whether they are located outside or inside of the cell. This is a core differentiating factor of the technology.

Over the past 12 months the company has gained significant traction with several of the world's leading pharmaceutical and biotechnology companies. Phylogica has announced two partnerships with some of the world's largest drug companies as follows:

- **Roche Pharmaceuticals** – to develop systems to discover phylomers capable of transporting large molecules to attach disease targets within cells.
- **Medimmune** (biologics arm of AstraZeneca) – to identify phylomers that have anti-microbial activity in particular against the so called "superbugs" to develop novel antibiotics.

Discussions continue with other groups who have interest in exploiting Phylogica's technology platform. These partnerships typically involve a series of payments comprising up-front, licensing fees, milestones and royalties.

We remain confident that success in these activities will ultimately result in Phylogica joining some of its peers and being acquired by a major player prepared to pay a significant premium for strategic reasons.

Sensear Pty Ltd

Sensear has developed innovative communication devices that can operate in high-noise environments that enables speech communication to be heard without the need to remove hearing protection. The Sensear technology has numerous applications in industrial, commercial and social environments and works by isolating and enhancing speech whilst at the same time suppressing background noise to a safe level.

The company continues to roll out its innovative suite of products to a diverse range of markets around the world and now has in excess of 100 distributors in place covering many of the world's leading geographic and industry markets. The product range provides solutions which enable face to face, mobile-phone and two-way radio communication.

The successful conclusion of a significant capital raising from existing shareholders during the year provides expansion capital for the business allowing for an acceleration in sales and marketing activities. In addition to numerous customers in Australia, the company also has customers across the globe in a variety of settings from ice-runways in Antarctica, to shipyards in the United Kingdom and mine sites in Chile.

We remain very excited about the potential of Sensear and look forward to the next 12 months which will be transformational for the business with sufficient capital in place to significantly ramp up revenues and underlying shareholder value.

XRT Ltd

XRT has struggled to regain momentum of its commercialisation activities following the impact of the global financial crisis on capital expenditure rates. Whilst the potential of the intellectual property remains intact the Board have adopted a very conservative stance and written the value of the investment to zero.

Directors' Report

The directors of BioTech Capital Limited present their report on the audited financial statements of BioTech Capital Limited for the year ended 30 June 2010.

Directors

The following persons were directors of BioTech Capital Limited ("the Company") during the whole of the financial year and up to the date of this report, unless stated otherwise:

Kathryn Therese Greiner

Harry Karelis

Alastair John Davidson

Antony Basten (resigned 12 August 2010)

Principal Activities

The principal continuing activities of the Company consist of investing in entities operating in the biotechnology / life-science sectors. The Company is registered under the Pooled Development Funds Act 1992.

Significant Changes in the State of Affairs

During the year the board decided to disposed of its investment in Starpharma Holdings Limited. There were no other significant changes in the state of affairs of the Company during the year.

Review of Operations and Results

Revenue from continuing operations for the year was up 303% to $1,219,898 on the same period last year (2009: $302,828). Operating loss after income tax for the same period increased 31.7% to a loss of $5,707,288 (2009: $4,333,491 loss). This was after recording an impairment loss on listed investments reflecting current market values of nil (2009: $1,105,496 loss) and a impairment loss on unlisted investments of $6,043,832 (2009: $2,719,506). The net tangible asset backing per share as at 30 June 2010 equated to 21.56 cents (2009: 28.54 cents). Further information on the review of operations and results is available in the Investment Manager's Report.

Financial Position

During the period, the company's net assets have decreased by $7,296,443 to $16,076,795. This is largely due to recording an impairment loss on unlisted investments of $6,043,832.

Dividends

On 30 August 2010, the directors declared an unfranked final dividend of 2 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2010. This dividend has not been included as a liability in these financial statements.The dividend will be paid to all shareholders on the Register of Members on 9 September 2010. The total estimated dividend to be paid is $1,491,000 (2009: Nil).

Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

Business Strategies and Future Prospects

Further information on the company's business strategies and review of current investments is available in the Investment Manager's Report.

Information on Directors:

Director	Experience	Special Responsibilities	Particulars of Directors' interest at the date of this report	
			Ordinary Shares	Options
K T Greiner	Well known in the Australian business and not-for-profit community. Kathryn has a Bachelor of Social Work from the University of New South Wales. Other directorships include Chair of Australian Hearing, Deputy Chancellor of Bond University Council (appointment concluded May 2009), School Funding Review Panel Member and Director, Bell Shakespeare Co. Appointed October 2005. Age 63.	Non Executive Director and Chairman	12,700	–

Information on Directors:

Director	Experience	Special Responsibilities	Particulars of Directors' interest at the date of this report	
			Ordinary Shares	Options
A J Davidson	B.Ec (Hons) ACA. Has held executive positions in banking and financial services for almost 26 years in the UK, USA and Australia. Managing Director, Aurora Funds Management. He is also Treasurer of the Centenary Institute of Cancer Medicine & Cell Biology. Appointed 2000. Age 52.	Non Executive Director	120,000	–
H Karelis	B.Sc (Hons), MBA, F.Fin, FAICD, CFA. Has a background in financial analysis and funds management both in Australia and overseas. Directorships also held in Phylogica Limited (since 2005) and Neurodiscovery Limited (since 2009). Appointed 2000. Age 40.	Executive Director	800,000	–
A Basten	Professor, AO, Fellowship of Australian Academies of Science and Technological Sciences and Engineering. He is a highly distinguished clinician/scientist. Appointed 2002. Age 71.	Non Executive Director	10,000	–

Company Secretary

Mr Baden Bowen was appointed as Company Secretary on 1 July 2006. Mr Bowen has over 28 years administration and financial management experience within the accounting profession and commerce. He is an Associate of the Institute of Chartered Accountants.

Remuneration Report (Audited)

This report outlines the remuneration arrangements in place for directors and executives of BioTech Capital Limited - (the "company").

The following persons acted as directors of the company during or since the end of the financial year:

Kathryn Therese Greiner

Harry Karelis

Alastair John Davidson

Antony Basten (resigned 12 August 2010)

The following person acted as an executive of the company during or since the end of the financial year:

Baden Bowen (Company Secretary)

Remuneration Policy

The performance of the company depends upon the quality of its directors and executives. To prosper, the company must attract, motivate and retain highly skilled directors and executives. The Company has no employees, and fees for services provided by Directors and the Company Secretary have been determined contractually, at arm's length. For these reasons, the Board has not appointed a Remuneration Committee.

With the exception of the Managing Director, Harry Karelis, who receives no fees in view of the payment of management fees to Titan Bioventures Management Pty Ltd ('TBVM'), of which he is a director and in which he holds a financial interest, the non-executive Directors are each paid a fee at a rate determined by the Board and which ensures that the aggregate sum of directors' fees is within any limitation imposed by the Company's constitution.

Company Performance and Link to Company Performance

Non executive directors and Company Secretary receive a fixed rate remuneration, with no link to company performance.

Harry Karelis is a director and holds a financial interest in Titan. Titan is the Manager of Biotech Capital Limited and commenced this role on 9 April 2004. The Manager is entitled to be paid an annual management fee equal to 2.0% of the net value of the assets calculated on a monthly basis. During the period to 30 June 2010 the management fees payable were $515,409 (2009:$548,170).

The following table shows the revenue, the operating result and net asset of the company for the last 5 years for the listed entity, as well as the share price and earnings per share at the end of the respective financial years.

	2006	2007	2008	2009	2010
Revenue (in '000's)	597	630	513	303	1,220
Net Profit/Loss after tax (in '000's)	(367)	(759)	(7,386)	(4,333)	(5,707)
Net Assets (in '000's)	46,089	37,399	28,061	23,374	16,078
Share price at Year end (in cents)	0.43	0.35	0.19	0.16	0.18
Basic earnings per Share (in cents)	(0.41)	(0.86)	(8.61)	(5.18)	(7.28)

Remuneration of Directors:

2010	Short Term Employee Benefits	Post Employment Benefits	Share Based Payments	Other Long Term Benefits	Total $
	Salary and Fees	Super-annuation			
K T Greiner Chairman (non-executive)	20,000	–	–	–	20,000
A Basten (non-executive)	–	20,000	–	–	20,000
A J Davidson (non-executive)	–	20,000	–	–	20,000
H Karelis* (Managing Director)	515,409	–	–	–	515,409
B M Bowen (Company Secretary)	30,850	–	–	–	30,850
Total Remuneration	566,259	40,000	–	–	606,259

2009	Short Term Employee Benefits	Post Employment Benefits	Share Based Payments	Other Long Term Benefits	Total $
	Salary and Fees	Super-annuation			
K T Greiner Chairman (non-executive)	20,000	–	–	–	20,000
A Basten (non-executive)	–	20,000	–	–	20,000
A J Davidson (non-executive)	5,000	15,000	–	–	20,000
H Karelis* (Managing Director)	548,170	–	–	–	548,170
LM McIntyre (non-executive) resigned 19/11/2008	7,026	695	–	–	7,721
B M Bowen (Company Secretary)	28,920	–	–	–	28,920
Total Remuneration	609,116	35,695	–	–	644,811

* Fees paid to H Karelis is in accordance with management contract detailed above.

Remuneration Options

No director of the Company has received any options (listed or unlisted) as part of their remuneration during this financial year (2009: Nil).

No director or executive appointed during the period received a payment as part of his or her consideration for agreeing to hold the position.

End of Remuneration Report

Directors Meetings

The number of meetings of the company's board of directors (including committees of directors) held for the year ended 30 June 2010, and the number of meetings attended by each director were:

	Number of Director Meetings whilst person a Director	Number of Director Meetings Attended	Number of Audit Committee Meetings	Number of Meetings Attended
K T Greiner	7	7	–	–
A J Davidson	7	6	2	2
H Karelis	7	7	–	–
A Basten	7	7	–	–

Auditor Independence Declaration to the Directors

The directors have received the auditors' independence declaration which is included on page 18 of this report.

Insurance of Officers

During the financial year, the company paid a premium of $20,965 (2009: $23,062) to insure the directors and secretary of the company. The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company or a related body corporate.

Share Options

At the date of this report, Biotech Capital Limited had nil unissued ordinary shares under option.

Significant Events after the Balance Date

On 12 August 2010, the Company announced it was adopting a change in investment strategy and restructuring. The Board believes the current portfolio should be liquidated in an orderly manner over the next 24 months with proceeds being returned to shareholders through a combination of dividends and other capital management strategies including but not limited to share buybacks and in specie distributions.

Subject to shareholder approval, the company propose restructuring and internalisation of the investment management of the Company. The proposal involves:

- the company acquiring 100% of the units in the Titan Bioventures Management Unit Trust (TBVM Unit Trust), which currently manages the Company, and 100% of the shares in Titan Bioventures Management Pty Ltd (TBVM), which is the Trustee of the TBVM Unit Trust.
- the company terminating its current management contract with TBVM.

There are no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the economic entity in future financial years.

Likely Developments and Expected Results of Operations

Further information on likely developments in the operations of the company and the expected results of operations have not been incorporated in the Directors report because the directors believe it would be likely to result in unreasonable prejudice to the company.

Environmental Regulation

The company is not subject to any significant environmental regulation in respect of its activities.

Auditor & Non-Audit Services

In addition to audit fees, the previous auditor PKF Chartered Accountants were paid a net fee of $4,190 (excluding GST) for the provision of taxation and accounting advice. Considering the nature of this professional advice and that the company had sought the advice, the Directors do not consider provision of these non-audit services impaired the independence of PKF as the company's auditor. In July 2010, Deloitte Touche Tohmatsu became the auditor of the Company. No non-audit services were provided by Deloitte Touche Tohmatsu.

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

K T Greiner — Sydney

Chair — 30 September 2010

Deloitte.

Deloitte Touche Tohmatsu
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The Directors
BioTech Capital Limited
C/- Titan Bioventures Management
Level 9, 1 William Street
PERTH WA 6000

30 September 2010

Dear Board Members

BioTech Capital 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 BioTech Capital Limited.

As lead audit partner for the audit of the financial statements of BioTech Capital Limited for the financial year ended 30 June 2010, 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

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Partner
Chartered Accountants

Commensurate with its commercial objectives as a Pooled Development Fund, and the scale of its resources, BioTech Capital Limited has in place corporate governance practices which pursue the corporate governance principles and recommendations (2nd edition) of the ASX Corporate Governance Council, unless otherwise stated.

The appropriateness and effectiveness of these practices are subject to periodic review by the Board of Directors.

A Foundation for Effective Management and Board Oversight of Management:

The Board's governance responsibilities include:

- setting down the Company's main commercial goals and strategies for achieving these goals;
- ensuring the overall financial, human and material resources needed to properly pursue the business goals, are provided;
- clarifying the individual responsibilities of board members and managers to ensure personal accountability and to place restraint on the authority of each individual;
- appointing and removing the Chief Executive Officer;
- regularly monitoring financial performance and the achievement of short term objectives;
- ensuring implementation of suitable internal control, compliance and complaints handling systems, monitoring these and ensuring their continuing effectiveness.

The company has no employees or senior executives therefore all responsibilities are delegated to the Board. The responsibilities of the Board are disclosed on the company's website.

Structuring of the Board to Add Value:

The Board is structured to provide:

- an adequate number (currently 3) of experienced, capable and committed individuals who clearly understand their personal commercial and legal responsibilities as directors, and are able to operate very effectively as a Board under the needs and demands of the Company's particular field of specialisation;
- directors possessing a broad range of suitable academic, technical, financial and administrative skills, who are highly competent in dealing with the

Company's business and administrative needs, and the persistent challenges posed by change and emerging issues;

- directors who have the ability to effectively review and challenge management performance, and exercise independent judgement on issues at all operational levels;
- that a majority of the directors shall be independent (currently all except H Karelis);
- that the Chairman (currently KT Greiner) must be an independent director;
- that the roles of Chairman and Managing Director (currently H Karelis) shall not be performed by the same person.

The current Board consists of 2 non-executive directors, and 1 executive director.

Each of the current directors has held office continuously since their date of appointment and these details are:

K.T. Greiner appointed 18 October 2005.

A. Basten appointed 27 June 2002. Resigned 12 August 2010.

A.J. Davidson appointed 14 March 2000.

H. Karelis appointed 18 May 2000.

The skills and experience of each of the directors are detailed in the Directors' Report.

Given the size and nature of the Company a formal process for evaluating performance of directors has not been developed.

A Due Diligence Committee, consisting of 1 independent director and 1 non-independent director was established to attend to the special needs of the Management Rights buy-back agreement, completed in April 2004. The Committee was then disbanded.

A Nominations Committee has not yet been established, as the Directors consider it more appropriate for the full Board to consider its membership structure and nominations issues. Therefore the company does not have a nomination charter. Procedures for selection, nomination and re-election of directors rest with the Board.

The Managing Director and Company Secretary are responsible for the preparation of agendas and associated papers for Board meetings held throughout the year.

Promotion of Ethical and Responsible Decision-Making:

The Board fosters a code of ethical behaviour requiring responsible personal conduct, well considered decision-making and committed performance of personal duties on the part of each Director and company officer.

Should any Director have a material personal interest in a matter to be considered by the Board, the Director will not be permitted to be present during the discussion of, or voting on, the matter.

Other than in the case of dealing in the Company's securities, owing to the very subjective nature of the behavioural issues involved, the expected high standards of honest and ethical behaviour have not been set in the form of written requirements and guidelines. There is no written Code of Conduct providing guidance on compliance with legal, ethical and other obligations to the Company's stakeholders. The general rule is that any behaviour on the part of directors and officers which is likely to bring the Company into disrepute, is totally unacceptable.

The highly technical nature of the Company's life-sciences area of specialisation also means that from time to time, in order to gain the necessary level of understanding for responsible, well-informed decision making, the Board needs to receive skilled independent scientific advice. With the approval of the Board and at the company's expense, a Director also has the right to seek independent legal or professional advice concerning any aspect of the company's operations, if this is necessary for fulfilment of the Director's duties and obligations as a Director. The Board has not laid down criteria for these purposes but would not deny any reasonable request by a Director for the right to seek such independent advice.

The Board are not actively involved in the trading of securities of the company.

Safeguarding Integrity in Financial Reporting:

The Company has in place a structure to ensure the truthful and factual presentation of the Company's operating results and financial position, and a process to monitor and ensure the independence and competence of the Company's auditors.

Development and finalisation of the Company's accounts are under the scrutiny of the Audit Committee consisting of a non-executive director and the Company Secretary. Although this is less than the minimum committee size of 3 persons recommended by the ASX Corporate Governance Council, it is considered adequate for the needs of the Company at this stage. The reasons for this is that the Company is externally managed by Titan BioVentures Management Pty Ltd so there is less financial risks such as fraud and given the Company is an investment company, the audit is simpler and a variety of risks are diminished. This also takes into consideration the fact that the Company's

accounts are prepared by a qualified Chartered Accountant, who was appointed Company Secretary on 1 July 2006. For these reasons also a formal audit committee charter is not considered necessary for the Company.

The members of the Audit Committee at the date of this report are Non-Executive Director, Alastair Davidson, and the Company Secretary, Baden Bowen. Both are qualified accountants and have considerable experience in the financial administration of public companies, and the preparation and presentation of Statutory Reports and Accounts in accordance with prevailing legal requirements and accounting standards. The Audit Committee does not have executive authority and must provide its findings and recommendations solely for the Board's consideration.

In addition to ensuring the continuing adequacy of internal controls, the Audit Committee reviews:

- Half yearly and annual financial reports for submission to the Board
- The effectiveness of the audit processes and communication with the external auditors on accounting and internal control issues.

Audit Committee Meetings Held During the Financial Period:

	Meetings Held	Meetings Attended
Alastair Davidson	2	2
Baden Bowen	2	2

The Managing Director is also required to provide the Board with written certification that in all material respects:

- the Company's financial statements provide a true and fair view of its financial condition and operational results;
- the integrity of the financial statements is based upon a sound system of risk management and internal compliance and control, implementing the policies adopted by the Board; and
- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

  The Managing Director and Company Secretary are required to make an annual declaration that the financial records of the company have been properly maintained in accordance with section 286 of the Corporations Act 2001, the financial statements and notes comply with the Accounting Standards and give a true and fair view.

The Board's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed on a regular basis by the Audit Committee. Deloitte Touche Tohmatsu ("DTT") was appointed as the external auditor in July 2010. It is DTT's policy to rotate audit engagement partners on listed companies at least every five years. The external auditor is invited to attend all general meetings and to invite and respond to questions from shareholders.

Making Timely and Balanced Disclosure:

In keeping with the principles of continuous disclosure, the Directors have taken measures to ensure timely, and meaningful disclosure of material information concerning the Company, to shareholders and the general public.

In accordance with ASX Listing rules, the Company will immediately notify ASX of any information which the Board considers would be likely to have a material effect on the price or value of the Company's securities, or which could influence a person to buy, sell or hold its securities.

Half-yearly reviews of the Company's regulated investments are mailed to shareholders, and all reviews, announcements and reports are posted to the Company's website (www.biotechcapital.com.au) immediately following their release to the Australian Securities Exchange.

The Company also has a policy of ensuring that all media comment is provided by the Chairman or the Managing Director only. The Company does not have a written policy, however compliance is ensured by the Directors.

Respecting the Rights of Shareholders:

The Company informs its shareholders through formal means, e.g. ASX releases and members' meetings, and informally through its website and in response to written and verbal communications. Any shareholder expressions of concern or opinion are referred to the Directors for their consideration and preparation of a reply.

All enquiries by shareholders, investment intermediaries and the general public are promptly and comprehensively responded to (by a Director or the Company Secretary) with due awareness of the need to restrict such information and explanation to material which has already been released publicly through the proper channels.

Recognising and Managing Risk:

The Directors have not appointed a Risk and Compliance Committee. The Board thus retains direct responsibility, oversight and management for material business risks and compliance issues.

The multiple risks inherent in operating the Company and managing its investments, are managed by a number of means designed to avoid or minimise any adverse material financial impact. These include:

- reviews and reports to the Board by the Audit Committee on compliance with and continuing appropriateness of internal controls;
- reviews by the Board of the scope, practical application and thoroughness of the system of internal control and the Company's means of recognising and protecting itself against material business risk;
- reviews and reports on the system of risk management, internal compliance and control, given to the Board by the Managing Director;
- reports from the Company's insurance broker concerning the adequacy of insurance cover and occupational health and safety issues;
- reports and recommendations received from the external auditor during the process of reviewing the accounts and internal controls;
- Titan Bioventures Management Pty Ltd assists with the review of new and potential investments.

The Board has reviewed the required reports noted above, and consider them adequate to monitor the effectiveness of managing material business risks. Given that the Company's business focus is upon providing patient equity capital to new Australian enterprises endeavouring to exploit commercial opportunities in the life-sciences field, the major financial risk is that the Company's investment will be lost or will materially lose value. This could occur under a variety of circumstances including where the underlying enterprise later completely fails, or commercially suffers in a significant way, e.g. due to excessive marketing difficulties or delays, product failure, serious management or funding problems, etc.

In the case of listed investee companies, there is also a risk of loss in market value reflecting adverse share price fluctuations.

The innovative nature of the investee enterprises also tends to increase the investment risk involved.

The Board endeavours to reduce investment risk by a number of means, including:

- requiring all investments to be made in full compliance with the Pooled Development Funds Act 1992 and the general rationale of the PDF Program;
- unless otherwise authorised by the Directors in writing, requiring all investments to be made in accordance with the Company's stated investment policy;

- ensuring proper evaluation of new investment opportunities by means of a thorough due diligence assessment;
- placing a limit on the maximum amount which can be invested in a single investee;
- ensuring investees have taken proper steps to secure their intellectual property rights;
- ensuring each investee has a proper business plan, financial budgets and has established clear, achievable, commercial goals;
- diversifying investment over a number of different companies, each aiming at a different potential market area or niche;
- appointing a director to the board of an investee company when possible.

The above risk management policies and procedures of the Board are disclosed on the company's website.

Encouraging Enhanced Performance:

With the approval of shareholders given on 8 April 2004, the Company appointed Titan Bioventures Management Pty Ltd ('Titan') to manage the Company's investments. The Company's Managing Director, Harry Karelis, is a director and beneficiary of Titan.

The management terms provide for payment of an annual management fee of 2% to Titan, based on the value of the underlying portfolio. Payments are made monthly, based on the value of the portfolio at the end of the previous month.

In addition to the management fee, the agreement provides for payment of a 'performance fee' incentive to Titan, equivalent to 10% of any gains realised on disposal of an investment, less any unrealised losses in the remaining portfolio and less a 30% rebate of the performance fee thus calculated.

Within this context and the other requirements of their corporate governance roles and responsibilities, the Directors thus oversee the investment activity and performance of the investment manager. They also aim to ensure that Titan always diligently fulfils its management obligations and that it does so in full accordance with the aims and interests of the Company, and in keeping with the Company's stated investment policy.

Except for the Managing Director's indirect participation in the fees and incentives payable to Titan, as described above, the Board has not established formal procedures for reviewing the individual performance of the other Directors and Company Secretary.

Remunerating Fairly and Responsibly:

The Company has no employees, and fees for services provided by Directors and the Company Secretary have been determined contractually, at arm's length.

For these reasons, the Board has not appointed a Remuneration Committee.

With the exception of the Managing Director, Harry Karelis, who receives no fees in view of the payment of management fees to Titan Bioventures Management Pty Ltd, of which he is a director and in which he holds a financial interest, the non-executive Directors are each paid a fee at a rate determined by the Board and which ensures that the aggregate sum of directors' fees is within any limitation imposed by the Company's constitution.

Particulars concerning Directors' remuneration are set out in the Directors' Report and in Note 14 of the Financial Report.

Recognising the Legitimate Interests of Stakeholders:

The Board recognises that the Company has legal and other obligations to stakeholders who are not holders of the company's securities. These include clients, customers, creditors, and the community as a whole.

The Company endeavours to conduct its operations in a manner which ensures compliance with the law, full and timely performance of contractual commitments, adherence to recognised codes of practice, maintenance of confidentiality and due fulfilment of other compliance needs and expectations.

The Company is not subject to any significant environmental regulation in respect of its activities.

Contents

Financial Report

This financial report covers BioTech Capital Limited.

BioTech Capital Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

BioTech Capital Limited
C/- Titan Bioventures Management
Level 9
1 William Street
PERTH WA 6000

Statement of Comprehensive Income

For the year ended 30 June 2010

	Notes	2010 $'000	2009 $'000
Revenue from continuing operations	**2**	**1,220**	**303**
Management fees	16(c)	(515)	(548)
Directors fees		(60)	(68)
Other expenses from operations		(213)	(195)
Provision for non recovery of receivable		(96)	–
Impairment loss on unlisted investments – available for sale		(6,043)	(2,720)
Impairment loss on listed investments reflecting current market value – available for sale		–	(1,105)
		(6,927)	(4,636)
(Loss) from continuing operations before related income tax benefit		**(5,707)**	**(4,333)**
Income tax benefit / (expense) relating to continuing operations	3	–	–
(Loss) from continuing operations after related income tax benefit attributable to members of BioTech Capital Limited		**(5,707)**	**(4,333)**
Other comprehensive income			
Net fair value gains on available for sale financial assets		355	–
Income tax on items of other comprehensive income		–	–
Other comprehensive income, net of tax		355	–
Total comprehensive (loss)		**(5,707)**	**(4,333)**
Basic earnings / (loss) per share	19	(7.28) cents	(5.18) cents
Diluted earnings / (loss) per share	19	(7.28) cents	(5.18) cents

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2010

	Notes	2010 $'000	2009 $'000
Current Assets			
Cash and cash equivalents	4	2,169	2,180
Trade and other receivables	5	10	11
Held to maturity financial assets	6	–	851
Financial assets	7	9,408	–
Total Current Assets		11,587	3,042
Non-Current Assets			
Deferred tax assets	3	–	–
Financial assets	7	4,551	20,409
Total Non-Current Assets		4,551	20,409
Total Assets		**16,138**	**23,451**
Current Liabilities			
Trade and other payables	8	60	77
Current tax liabilities	3	–	–
Total Current Liabilities		60	77
Non Current Liabilities			
Deferred tax liabilities	3	–	–
Total Non Current Liabilities		–	–
Total Liabilities		**60**	**77**
Net Assets		**16,078**	**23,374**
Equity			
Issued Capital	9	39,339	41,283
Accumulated Losses	10	(23,616)	(17,909)
Reserves	11	355	–
Total Equity		**16,078**	**23,374**

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2010

	Notes	2010 $'000	2009 $'000
Cash Flows from Operating Activities			
Interest received		62	303
Managers fees paid		(520)	(556)
Payments to suppliers		(282)	(255)
Net cash (outflow) from operating activities	12	**(740)**	**(508)**
Cash Flows from Investing Activities			
Proceeds from sale (payments for) of investments		1,822	(2,117)
Receipts (payments for) from term deposits		851	(851)
Net cash inflow / (outflow) from investing activities		**2,673**	**(2,968)**
Cash Flows from Financing Activities			
Share Buy-Back payment		(1,944)	(354)
Net cash (outflow) from financing activities		**(1,944)**	**(354)**
Net increase / (decrease) in Cash Held		**(11)**	**(3,830)**
Cash at the beginning of the financial year		2,180	6,010
Cash at the End of the Financial Year	**4**	**2,169**	**2,180**

The above statement of cash flows should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2010

	Issued capital $'000	Accumulated losses $'000	Other reserves $'000	Total $'000
At 1 July 2008	**41,637**	**(13,576)**	–	**28,061**
Profit / (loss) for the year	–	(4,333)	–	(4,333)
Other comprehensive income	–	–	–	–
Total comprehensive (loss) for the year	–	(4,333)	–	(4,333
Transaction with owners in their capacity as owners: Share buy backs	(354)	–	–	(354)
At 30 June 2009	**41,283**	**(17,909)**	–	**23,374**
At 1 July 2009	**41,283**	**(17,909)**	–	**23,374**
Profit / (loss) for the year	–	(5,707)	–	(5,707)
Other comprehensive income	–	–	355	355
Total comprehensive income (loss) for the year	–	(5,707)	355	(5,352)
Transaction with owners in their capacity as owners: Share buy-backs	(1,944)	–	–	(1,944)
At 30 June 2010	**39,339**	**(23,616)**	**355**	**16,078**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

The Financial Report of Biotech Capital Limited for the year ended 30 June 2010

This general purpose financial report has been prepared in accordance with the requirements of Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001. The financial report was authorised for issue in accordance with a resolution of the directors on 30 September 2010.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at fair value. BioTech Capital Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian securities exchange. Both the functional currency and presentation currency of BioTech Capital Limited is Australian dollars ($AUD).

Statement of Compliance

Compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards ('IFRS').

New accounting standards and Interpretations

The Company has adopted all new and revised Australian Accounting Standards and AASB Interpretations that are relevant to its operations and effective for reporting periods beginning on 1 July 2009. The following standards have had an impact on the Company:

New or revised requirement	Effective for annual reporting periods beginning/ ending on or after	More information	Impact on Company
AASB 101 Presentation of Financial Statements (Revised September 2007), AASB 2007-8 Amendments to Australian Accounting Standards & Interpretations and AASB 2007-10 Further Amendments to AASBs arising from AASB 101 The revised standard affects the presentation of changes in equity and comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other AASB standards.	Beginning 1 January 2009	This has been adopted for the year ended 30 June 2010	The Company has adopted the revised terminologies for presentation of its financial statements in accordance with AASB 101.
AASB 8 Operating Segments, AASB 2007-3 Amendments to Australian Accounting Standards 5, 6, 102, 107, 119, 127, 134, 136, 1023 & 1038 arising from AASB 8 This standard supersedes AASB 114 Segment Reporting introducing a US GAAP approach of management reporting as part of the convergence project with FASB.	Beginning 1 January 2009	This has been adopted for the year ended 30 June 2010	The Company has revised its disclosure requirements in accordance with AASB 8, for the Company's operating segments as monitored by management.
AASB 123 Borrowing Costs (Revised), AASB 2007-6 Amendments to Australian Accounting Standards 1, 101, 107, 111, 116, 138 and Interpretations 1 & 12 This revision eliminates the option to expense borrowing costs on qualifying assets and requires that they be capitalised. The Amending Standard eliminates reference to the expensing option in various other pronouncements.	Beginning 1 January 2009	This has been adopted for the year ended 30 June 2010	The adoption of this standard had no impact on the Company.

New or revised requirement	Effective for annual reporting periods beginning/ ending on or after	More information	Impact on Company
AASB 2008- 1 – Amendments to AASB2 "Share Based Payments" The amendment clarifies that vesting conditions comprise service conditions and performance conditions only and that other features of a share-based payment transaction are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.	Beginning 1 January 2009	This has been adopted for the year ended 30 June 2010	The adoption of this standard has not impact on the company
AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate This amends and clarifies the following standards AASB 101, AASB 118, AASB 127 & AASB 136 for the treatment of determining the cost of an investment in a subsidiary, jointly controlled entity or associate.	Beginning 1 January 2009	This has been adopted for the year ended 30 June 2010	The adoption of this standard has not impact on the company
AASB 3 Business Combinations (Revised), AASB 127 Consolidated and Separate Financial Statements (Amended), AASB 2008-3 Amendments to AASBs arising from AASB 3 and AASB 127 This revision changes the application of acquisition accounting for business combinations and accounting for non-controlling interests. The revised and amended standards changes affect the valuation of non-controlling interest, the accounting of transaction costs and the initial recognition and subsequent recognition of contingent considerations.	Beginning 1 July 2009	This has been adopted for the year ended 30 June 2010	These standards are applied prospectively and had no material impact on prior business combinations. The adoption has amended the accounting policy of business combinations for the Company.

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Company for the year ended 30 June 2010:

New or revised requirement	Effective for annual reporting periods beginning/ ending on or after	More information	Impact on Company
AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. Amendments are made to AASB 5, 8, 101, 107, 117, 118, 136 & 139.	Beginning 1 January 2010	This will be adopted for the year ending 30 June 2011	Management has yet to access the impact on adoption
AASB 2009-8: Amendments to Australian Accounting Standards – Company Cash-settled Share-based Payment Transactions AASB 2. The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the Company settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence these two Interpretations are superseded by the amendments.	Beginning 1 January 2010	This will be adopted for the year ending 30 June 2011	Management has yet to access the impact on adoption
AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 *[AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12].* AASB 9 simplifies the classifications of financial assets into two categories:	Beginning 1 January 2013	This will be adopted for the year ending 30 June 2014	Management has yet to access the impact on adoption

New or revised requirement	Effective for annual reporting periods beginning/ ending on or after	More information	Impact on Company
• Those carried at amortised cost; and • Those carried at fair value. Simplifies requirements related to embedded derivatives that exist in financial assets that are carried at amortised cost, such that there is no longer a requirement to account for the embedded derivative separately. Removes the tainting rules associated with held-to-maturity assets. Investments in unquoted equity instruments (and contracts on those investments that must be settled by delivery of the unquoted equity instrument) must be measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value.			
AASB 2009-10: *Amendments to Australian Accounting Standards - Classification of Rights Issues.* Clarifies that rights options or warrants to acquire a fixed number of an entities own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all existing owners of the same class of its own non-derivative equity instruments.	Beginning 1 February 2010	This will be adopted for the year ending 30 June 2011	Management has yet to access the impact on adoption

New or revised requirement	Effective for annual reporting periods beginning/ ending on or after	More information	Impact on Company
AASB 2009-12: *Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052].* AASB 2009-12 makes amendments to a number of Standards and Interpretations. In particular, it amends AASB 8 *Operating Segments* to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB.	Beginning 1 January 2011	This will be adopted for the year ending 30 June 2012	Management has yet to access the impact on adoption
Revised AASB 124: Related Party Disclosures (December 2009): Related Party Disclosures (December 2009). Simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition of a related party.	Beginning 1 January 2011	This will be adopted for the year ending 30 June 2012	Management has yet to access the impact on adoption

New or revised requirement	Effective for annual reporting periods beginning/ ending on or after	More information	Impact on Company
Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments. Requires the extinguishment of a financial liability by the issue of equity instruments to be measured at fair value (preferably using the fair value of the equity instrument issued) with the difference between the fair value of the instrument and the carrying value of the liability extinguished being recognised in profit or loss. The Interpretation does not apply where the conversion terms were included in the original contract (such as in the case of a convertible debt) or to common control transactions.	Beginning 1 July 2010	This will be adopted for the year ending 30 June 2011	Management has yet to access the impact on adoption
AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project: Amendments to AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139.	Beginning 1 July 2010	This will be adopted for the year ending 30 June 2011	Management has yet to access the impact on adoption
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project: Amendments to AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13.	Beginning 1 July 2011	This will be adopted for the year ending 30 June 2012	Management has yet to access the impact on adoption

(a) Income Tax

Current tax 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.

Deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

(b) Impairment of Financial Assets

Financial assets, other than those at financial assets at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For equity instruments, including listed or unlisted shares, objective evidence of impairment includes information about significant changes with an adverse effect that have take place in the technological, market, economic or legal

environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment for unlisted shares classified as available-for-sale.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

(c) Revenue Recognition

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(d) Investments and other Financial Assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

(i) Available-for-sale

All investments are initially recognised at fair value, being the fair value of the consideration given and including transaction costs that are directly attributable to the acquisition or issue of the investment. After initial recognition, investments,

which are classified as available-for-sale, are measured at fair value. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the profit or loss.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments in unlisted shares that are not traded in an active market, also classified as available-for-sale financial assets and stated at fair value (because the directors consider that the fair value can be reliably measured), fair value is determined in a manner described in note 7.

(ii) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit and loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

(iii) Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the company has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity, such as term deposits, are initially recognised at fair value and subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount.

(e) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprises of cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value. For the purposes

of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(f) Trade and other creditors

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(g) Earnings / (Loss) per share

(i) Basic earnings / (loss) per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings / (loss) per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(h) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(i) Rounding of Amounts to Nearest Thousand Dollars

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been

rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(j) Significant accounting judgments, estimates and assumptions

In applying the Company's accounting policies, management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Company. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Classification of and valuation of investments

The Company has decided to classify investments in listed and unlisted securities as 'available -for-sale' investments and movements in fair value are recognised directly in equity. The fair value of listed shares has been determined by reference to published price quotations in an active market. The fair values of unlisted securities not traded in an active market are measured at fair value are determined in a manner described in note 7.

Impairment of financial assets

The company assesses impairment of all assets at each reporting date by evaluating conditions specific to their investments and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined. This involves impacts on estimated future cash flows which incorporate a number of key estimates and assumptions. The Board reviews the latest financial results of unlisted companies, project updates from the investment manager and market data available to determine any impairment on unlisted investments. Impairment is made based on management best estimates of future estimated cash flows. An impairment loss on listed investments of nil (2009: $1,105,000) and an impairment loss on unlisted investments of $6,043,832 (2009: $2,720,000) has been recorded in the statement of comprehensive income.

Note 2. Revenues from Ordinary Activities

	30 June 2010 $'000	30 June 2009 $'000
Finance revenue – bank	62	303
Profit on sale of financial assets	901	–
Net gain arising on financial assets designated as at fair value through profit and loss	257	–
	1,220	303

Note 3. Income Tax

Major components of income tax expense for the years ended 30 June 2010 and 2009 are:	30 June 2010 $'000	30 June 2009 $'000
Statement of Comprehensive Income		
Current Income		
Current income tax benefit	–	–
Adjustments in respect to current income tax of previous years	–	–
Deferred Income Tax		
Relating to origination and reversal of temporary differences	–	–
Income tax expense reported in the statement of comprehensive income	–	–
Statement of changes in equity		
Deferred Income Tax		
Unrealised gain on available for sale financial assets	–	–
Income tax benefit reported in equity	–	–
A reconciliation of income tax expense / (benefit) applicable to accounting profit / (loss) before income tax at the statutory income tax rate to income tax expense at the company's effective income tax rate for the years ended 30 June 2010 and 2009 is as follows:		
Accounting profit / (loss) before tax from continuing operations	(5,707)	(4,333)
Loss before tax from discontinued operations	–	–
Accounting profit / (loss) before income tax	(5,707)	(4,333)

Note 3. Income Tax (continued)

	30 June 2010 $'000	30 June 2009 $'000
At the statutory income tax rate of 25% (2009: 25%)	(1,427)	(1,083)
Adjustments in respect of current income tax of previous years	–	–
Expenditure not allowable for income tax purposes	1,471	956
Temporary differences and tax losses not brought to account as a deferred tax asset	(44)	127
At effective income tax rate of (0%) (2009: (0%)	–	–
Income tax expense reported in statement of comprehensive income	–	–
Income tax attributable to discontinued operation	–	–
	–	–

Note: The tax rate of 25% is because the Company has Pooled Development Fund status.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Fair value adjustments of investments	–	–	–	–	–	–
Capital raising costs	–	–	–	–	–	–
Tax / (assets) liabilities	–	–	–	–	–	–
Set off of tax	–	–	–	–	–	–
Net tax / (assets) liabilities	–	–	–	–	–	–

Note 3. Income Tax (continued)

	30 June 2010 $'000	30 June 2009 $'000
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Tax Losses	1,860	1,904
Other	4	3
Investments	267	1,034
Investment Provision	1,314	408
	3,445	3,349

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of this item because it is not probable that future taxable profit will be available against which the company can utilise the benefits from.

Movement in deferred tax assets / liabilities

	Balance 1 July 2008 $'000	Recognised in Income $'000	Recognised in Equity $'000	Balance 30 June 2009 $'000
Fair value adjustments of investments	–	–	–	–
Capital raising costs	–	–	–	–
	–	–	–	–

	Balance 1 July 2009 $'000	Recognised in Income $'000	Recognised in Equity $'000	Balance 30 June 2010 $'000
Fair value adjustments of investments	–	–	–	–
Capital raising costs	–	–	–	–
	–	–	–	–

Note 4. Cash and cash equivalents

	30 June 2010 $'000	30 June 2009 $'000
Cash at bank and on hand	164	159
Term Deposits	2,005	2,021
	2,169	2,180

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates. Term deposits are made for varying periods; those deposits with a maturity date less than 3 months are classified as cash equivalents and earn interest at the respective term deposit rate.

Note 5. Trade and other receivables

	30 June 2010 $'000	30 June 2009 $'000
Investment receivable	96	–
Provision for non recovery of receivable	(96)	–
GST recoverable	10	11
	10	11

Trade and other receivables are non-interest bearing and are generally on a 60 day term.

Note 6. Held to maturity financial assets

	30 June 2010 $'000	30 June 2009 $'000
Term deposits	–	851
	–	851

Note 7. Financial assets

	30 June 2010 $'000	30 June 2009 $'000
Current		
Available for Sale Financial Assets:		
Investment in listed companies – at fair value	2,614	–
Investment in unlisted Companies – at directors' valuation	5,316	–
Investments in Convertible Notes – unlisted companies	–	–
Total Available for sale Financial Assets	7,930	–
Financial Assets held at Fair Value through Profit and Loss		
Investment in Convertible Notes – listed company	1,478	–
Total Financial Assets held at Fair Value through Profit and Loss	1,478	–
Total Current Financial Assets	**9,408**	**–**
Non Current		
Available for Sale Financial Assets:		
Investment in listed companies – at fair value	–	3,332
Investment in unlisted Companies – at directors' valuation	4,551	14,044
Investments in Convertible Notes – unlisted companies	–	1,866
Total Available for sale Financial Assets	4,551	19,242
Financial Assets held at Fair Value through Profit and Loss		
Investment in Convertible Notes – listed company	–	1,167
Total Financial Assets held at Fair Value through Profit and Loss	–	1,167
Total Non Current Financial Assets	**4,551**	**20,409**

Available for sale financial assets consist of investments in ordinary shares or convertible notes into ordinary shares. Financial Assets held at Fair Value through Profit and Loss consist of investments in convertible notes into ordinary shares.

Listed shares

The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.

Unlisted shares

The fair value of unlisted available for sale investments are determined by directors valuations, which is based on their experience in the industry and the average realisable value in the short to medium term based on their change in investment strategy as disclosed in Note 13. Directors have used assumptions, such as impacts on estimated cash flows, project updates and other market data available in determining their valuation of unlisted investments.

Convertible Note – Listed entity

The convertible note in Phylogica Limited relates to the conversion of a maximum of 25,000,000 shares, the fair value has been determined by reference to the published price quoted for Phylogica Limited's shares.

Impairment Loss on Unlisted Investments

An allowance for impairment loss is recognised when there is objective evidence that unlisted investments are impaired. During the year, the Board obtained the latest financial results of unlisted companies and reviewed project updates from the investment manager. Based on management's best estimate of information available, the Board decided to record an impairment loss. An impairment loss on unlisted investments of $6,043,832 (2009: $2,720,000) has been recorded in the statement of comprehensive income.

Summary of changes in investments in financial assets	**30 June 2010 $'000**	**30 June 2009 $'000**
Opening	20,409	22,117
Acquisitions	–	2,117
Impairment loss on unlisted investments	(6,044)	(2,720)
Disposals	(1,018)	–
Revaluations	612	(1,105)
Closing	13,959	20,409

Biotech Capital Limited (BTC) is not equity accounting investments it has greater than a 20% interest in because the characteristics of the investments confirm it does not exert significant influence. The investments concerned are Continara, Pacific Knowledge Systems Pty Ltd, XRT Ltd, Sensear Pty Ltd and Phylogica Limited. The reasons significant influence is not exerted include that BTC has no significant participation in policy making processes, the investee entities have no economic dependency on BTC, other investors hold a similar percentage interest in the entities, the Board representation in the entities by BTC is only one in each case and there is no interchange of managerial personnel between the entities and BTC.

Note 8. Trade and other payables

	30 June 2010 $'000	30 June 2009 $'000
Managers fees payable – director related entity	41	47
Director fees payable	–	–
Trade Creditors	5	17
Audit fees payable	14	13
	60	77

Trade and other payables are non-interest bearing and are generally settled on 60 day terms.

Note 9. Issued Capital

	2010 Shares	2010 $'000	2009 in Shares	2009 $'000
(a) Ordinary shares				
Issued and fully paid	74,554,108	39,339	81,909,505	41,283

(b) Movements in ordinary shares on issue:

		2010	2010	2010	2009	2009	2009
Date	Details	No. of Shares	Issue Price	$'000	No. of Shares	Issue Price	$'000
30/06/2009	Opening Equity	81,909,505		41,283	84,039,505		41,637
July 2009 to June 2010	Share Buy-Back/ Cancellation	(7,355,397)		(1,944)	(2,130,000)		(354)
		(7,355,397)		(1,944)	(2,130,000)		(354)
30/06/2010	Closing Equity	74,554,108		39,339	81,909,505		41,283

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

The company does not have authorised capital or par value in respect of its issued capital.

Note 10. Retained Profits / (Accumulated Losses)

	30 June 2010 $'000	30 June 2009 $'000
Retained Profits / (Accumulated Losses) at the beginning of the financial year	(17,909)	(13,576)
Net Profit / (Loss)	(5,707)	(4,333)
Retained Profits / (Accumulated Losses) at the end of the financial year	(23,616)	(17,909)

Note 11. Reserves

	30 June 2010 $'000	30 June 2009 $'000
Investments Revaluation Reserve	355	–
	355	–
Investments Revaluation Movements During the Year		
Opening balance	–	–
Net revaluation increment on listed invetments	355	–
Closing balance	355	–

This reserve records the movement for available for sale financial assets to fair value. Unrealised gains and unrealised losses are arrived at by comparing the balance date value of each investment, as determined in accordance with the company's declared valuation policy, with the investment's cost price. The above unrealised gain on listed investments reflects market value at 30 June 2010. During the prior year, all unrealised impairment losses have been taken directly to the profit or loss. These calculations do not take into account incentive fees which might be payable to the Manager, or other persons, relating to gains realised on disposal of any investments. The balance of this reserve does not represent funds available for distribution to shareholders in specie, because of the unrealised nature of the net gain involved.

Note 12. Reconciliation of Operating (Loss) after Income Tax to the Net Cash Flow from Operating Activities

	30 June 2010 $'000	30 June 2009 $'000
Operating (loss) after Income tax	(5,707)	(4,333)
Adjustment for:		
Impairment Loss or Unlisted Investments	6,044	2,720
Unrealised Impairment Loss or Listed Investments	–	1,105
Fair Value Movement in Investments	(257)	–
Provision for Non recovery of receivable	96	–
Profit on Sale of Investments	(901)	–
Changes in Assets and Liabilities:		
(Increase) / Decrease in trade and other debtors	–	1
(Decrease) / Increase in trade and other payables	(15)	(1)
Net cash flow from operating activities	(740)	(508)

Note 13. Subsequent Events

On 12 August 2010, the Company announced it was adopting a change in investment strategy and restructuring. The Board believes the current portfolio should be liquidated in an orderly manner over the next 24 months with proceeds being returned to shareholders through a combination of dividends and other capital management strategies including but not limited to share buybacks and in specie distributions.

Subject to shareholder approval, the company propose restructuring and internalisation of the investment management of the Company. The proposal involves:

- the company acquiring 100% of the units in the Titan Bioventures Management Unit Trust (TBVM Unit Trust), which currently manages the Company, and 100% of the shares in Titan Bioventures Management Pty Ltd (TBVM), which is the Trustee of the TBVM Unit Trust.
- the company terminating its current management contract with TBVM.

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

Note 14. Key Management Personnel

(a) Name and position of key management personnel of the company in office at any time during the financial year:

(i) Directors

K T Greiner – Chairman (non executive)

A Basten – non executive (resigned 12 August 2010)

A J Davidson – non executive

H Karelis – Managing Director

(ii) Executives

None noted.

(b) Remuneration of each key management personnel during the year (see also notes below).

2010	Short Term Employee Benefits	Post Employment Benefits	Share Based Payments	Other Long Term Benefits	Total $
	Salary and Fees	Super-annuation			
(i) Directors K T Greiner Chairman (non-executive)	20,000	–	–	–	20,000
A Basten (non-executive)	–	20,000	–	–	20,000
A J Davidson (non-executive)	–	20,000	–	–	20,000
H Karelis (Managing Director) (see note 16(c))	515,409	–	–	–	515,409
Total Remuneration	535,409	40,000	–	–	575,409

2009	Short Term Employee Benefits	Post Employment Benefits	Share Based Payments	Other Long Term Benefits	Total $
	Salary and Fees	Super-annuation			
(i) Directors K T Greiner Chairman (non-executive)	20,000	–	–	–	20,000
A Basten (non-executive)	–	20,000	–	–	20,000
A J Davidson (non-executive)	5,000	15,000	–	–	20,000
H Karelis (Managing Director) (see note 16(c))	548,170	–	–	–	548,170
L M McIntyre (non-executive) resigned 19/11/2008	7,026	695	–	–	7,721
Total Remuneration	580,196	35,695	–	–	615,891

(c) Remuneration Options

No key management personnel of the company has received any options (listed or unlisted) as part of their remuneration during this financial year (2009 Nil).

(d) Remuneration Practices

With the exception of the Managing Director, Mr Karelis, the remuneratioof each director has been established on the basis of a flat fee, inclusive of any superannuation benefit. Thus there is no direct link, as such, between performance and the level of remuneration.

Mr Karelis is a beneficiary and managing director of Titan Bioventures Management Pty Ltd (Titan), the company's investment manager. Mr Karelis has not been and is not being remunerated by the company. However during the year, he has received and will receive benefits from his equity interest in and services provided to Titan. Details of management fees paid and payable during the year to Titan are shown in Note 16.

(e) Equity instrument disclosures relating to key management personnel

Share holdings

The numbers of shares in the company held during the financial year by each director of BioTech Capital Limited, including their personally-related entities, are set out below.

Year ended 30 June 2010

Name	Balance at the start of the year	Received during the year on the exercise of options	Other net changes during the year	Balance at the end of the year
Ordinary shares (i) Director				
K T Greiner	12,700	–	–	12,700
A Basten	10,000	–	–	10,000
A J Davidson	120,000	–	–	120,000
H Karelis	800,000	–	–	800,000

Year ended 30 June 2009

Name	Balance at the start of the year	Received during the year on the exercise of options	Other net changes during the year	Balance at the end of the year
Ordinary shares (i) Director				
K T Greiner	12,700	–	–	12,700
A Basten	10,000	–	–	10,000
A J Davidson	120,000	–	–	120,000
H Karelis	800,000	–	–	800,000
L M McIntyre	13,000	–	–	13,000

Note 15. Remuneration of Auditors

	30 June 2010 $	30 June 2009 $
PKF		
Remuneration for audit or review of the financial statements	10,970	27,005
Remuneration for non-audit – taxation and other services	4,190	13,900
Deloitte Touche Tohmatsu		
Remuneration for audit or review of the financial statements	14,500	–
Remuneration for non-audit – taxation and other services	–	–

Note 16. Related Party Disclosures

(a) Remuneration Benefits

Information on remuneration benefits of key management personnel is disclosed in note 14.

(b) Transactions of directors and director related entities concerning shares or share options.

Aggregate number of shares of Biotech Capital Limited acquired or disposed of by directors of the company or their director related entities.

	2010 Number	2009 Number
Ordinary shares acquired/(disposed of)	–	–

Aggregate number of shares of Biotech Capital Limited held directly, indirectly or beneficially by directors of the company or their director related entities at balance date.

Ordinary Shares	955,700	955,700

(c) Transactions with directors and director related entities:

The terms and conditions of the transactions with directors and their director related entities were no more favourable than those available or which might reasonably be expected to be available, on similar transactions to non-director entities on an arm's length basis.

Titan Bioventures Management Pty Ltd ('Titan'), a company in which Harry Karelis is a director and beneficiary, is the investment manager of Biotech Capital Limited and commenced this role on 9 April 2004.

The Manager is entitled to be paid an annual management fee equal to 2.0% of the net value of the assets calculated on a monthly basis. During the period to 30 June 2010 the management fees paid were $515,409 (2009: $548,170).

Performance Fee:

The Manager is also entitled to receive a performance fee of 10% of the difference between the realised value of an investment and the cost of the investment. This performance fee is to be reduced by any unrealised losses that may exist in the balance of the investment portfolio, and the Company is also entitled to a rebate of 30% on any performance fee payable. No performance fee was payable during the period. The balance date contingent liability relating to the performance fee is shown in Note 21.

Note 17. Operating Segments

The company operates in one business segment where it invests in entities operating in the life-science/biotechnology sectors.

The company operates in one geographical segment being Australia.

Note 18. Financial Risk Management Objectives and Policies

Financial Risk Management

Overview

The company have exposure to the following risks from their use of financial instruments – interest rate risk, credit risk, liquidity risk and market price risk. This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors have overall responsibility for the establishment and oversight of the risk management framework. The board reviews regularly the adequacy of the risk management framework in relation to the risks faced by the company. The company's principal financial instruments comprise cash and short term term deposits and financial assets. The company has other financial instruments such as trade debtors and trade creditors which arise directly from its operations. The company's policy in relation to the valuation of investments traded on organised markets, and unlisted investments has been described in Note 1(d). The investment manager performs reviews of investments on a regular basis, that is then reported to the Board, to allow them to make decisions regarding the company's investments.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from fluctuations in interest bearing financial assets and liabilities that the company uses. The company's financial assets which are affected by interest rate risk are the company's cash and cash equivalents and term deposits held. The company manages its interest cost by using a mix of fixed and variable rates and trades only with recognised credit worthy third parties.

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

30 June 2010	**Balance $'000**	**Interest Rate**	**Weighted Average Effective Interest Rate**
Financial Assets			
Cash	164	Floating	4.30%
Term deposits – cash equivalents	2,005	Floating	5.39%
Term deposits – held to maturity financial assets	–	Floating	–
Receivables	10	N/A	–
Available for sale financial assets:			
Listed investments	2,614	N/A	
Unlisted investments	9,867	N/A	
Financial assets held at FVTPL	1,478		
Total financial assets	16,138		
Financial Liabilities			
Payables	60	N/A	–
Total financial liabilities	60		
Nel Financial Assets	16,078		

30 June 2009	Balance $'000	Interest Rate	Weighted Average Effective Interest Rate
Financial Assets			
Cash	159	Floating	3.05%
Term deposits – cash equivalents	2,021	Floating	3.94%
Term deposits – held to maturity financial assets	851	Floating	–
Receivables	11	N/A	–
Available for sale financial assets:			
Listed investments	3,332	N/A	
Unlisted investments	15,910	N/A	
Financial assets held at FVTPL	1,167		
Total financial assets	23,451		
Financial Liabilities			
Payables	77	N/A	–
Total financial liabilities	77		
Nel Financial Assets	23,374		

Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. The analysis is performed on the same basis for 2009.

		Profit or loss		Equity	
	Carrying Value	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
30 June 2010	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	164	2	(2)	2	(2)
Term deposits – cash equivalents	2,005	20	(20)	20	(20)
Cash flow sensitivity (net)		22	(22)	22	(22)
30 June 2009					
Cash and cash equivalents	159	2	(2)	2	(2)
Term deposits – cash equivalents	2,021	20	(20)	20	(20)
Term deposits – held to maturity	851	9	(9)	9	(9)
Cash flow sensitivity (net)		31	(31)	31	(31)

Credit Risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's financial assets. The company's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of these assets.

Liquidity Risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	6 months or less	Greater than 6 months, less than one year	Greater than one year
30 June 2010	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Available-for-sale financial assets:	–	–	–	–	–
Trade and other payables	(60)	(60)	(60)	–	–
	(60)	(60)	(60)	–	–
30 June 2009	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Available-for-sale financial assets:	–	–	–	–	–
Trade and other payables	(77)	(77)	(77)	–	–
	(77)	(77)	(77)	–	–

Fair Value of Financial Assets and Liabilities

There is no difference between the fair values and the carrying amounts of the company's financial instruments. The company has no unrecognised financial instruments at balance date.

Market Price Risk

Equity price risk arises from available-for-sale equity securities and financial asset held at fair value through profit or loss held as a part of the company's operations. Investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors. The primary goal of the Company's investment strategy is to maximise investment returns on sale of investments. Listed investments are designated as available for sale financial assets because their performance is actively monitored and they are managed on a fair value basis.

Sensitivity analysis on changes in market equity prices

A change of 20% (based on the Board's assessment of share price movements during the period and similar movements in the life sciences industry) in equity prices at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. The analysis is performed on the same basis for 2009. In 2009 and 2010, if equity prices decreased on listed investments, movement would be recorded in the income statements due to impairment indicators noted, while if equity prices increased on listed investments, movement would be taken to the asset revaluation reserve directly in equity.

		Profit or loss		Equity	
	Carrying Value	20% increase	20% decrease	20% increase	20% decrease
30 June 2010	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Available for sale financial assets:					
Listed investments	2,614	–	(523)	523	(523)
Unlisted investments	9,867	–	–	–	–
Financial assets held at FVTPL:	1,478	296	(296)	296	(296)
		296	(819)	819	(819)
30 June 2009	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Available for sale financial assets:					
Listed investments	3,332	–	(666)	666	(666)
Unlisted investments	15,910	–	–	–	–
Financial assets held at FVTPL:	1,167	233	(233)	233	(233)
		233	(899)	899	(899)

Impairment losses

An impairment loss of nil (2009: $1,105,496) was recognised in respect of listed available for sale investments due to significant decline in the securities market during the period.

An impairment loss of $ $6,043,832 (2009: $2,719,506) was recognised in respect of unlisted available for sale investments due to the director's valuations performed during the period.

Fair value of financial instruments: Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

b) The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance by directors' valuations, which are based on their experience in the industry and the average realisable value in the short to medium term. Directors have used assumptions, such as impacts on estimated cash flows, project updates and other market data available in determining their valuation of unlisted investments.

Fair value measurements recognised in the statement of financial position:

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
30 June 2010	$'000	$'000	$'000	$'000
Financial assets				
Listed investments – available for sale	2,614	–	–	2,614
Unlisted investments – available for sale	–	–	9,867	9,867
Listed convertible notes – FVTPL	1,478	–	–	1,478
	4,092	–	9,867	13,959
30 June 2009				
Financial assets				
Listed investments – available for sale	3,332	–	–	3,332
Unlisted investments – available for sale	–	–	1,590	15,910
Listed convertible notes – FVTPL	1,167	–	–	1,167
	4,499	–	15,910	20,409

There were no transfers between levels during the year.

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted investments $'000	Total $'000
Opening balance	15,910	15,910
Total gains or losses:		
– in profit and loss	(6,043)	(6,043)
– in other comprehensive income	–	–
Closing balance	9,867	9,867

Significant assumptions used in determining fair value of financial assets and liabilities

The fair value of listed available for sale investments has been determined directly by reference to published price quotations in an active market. The fair value of unlisted available for sale investments are determined by directors' valuations and assumptions, such as impacts on estimated cash flows, project updates and market data available.

Capital risk management

The Company objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The management of the Company's capital is performed by the Board. The company is not subject to externally imposed capital requirements. The Company's overall strategy remains unchanged from 2009.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders, comprising issued capital, reserves and retained earnings. Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax and general administrative outgoings.

	30 June 2010 $'000	30 June 2009 $'000
Categories of financial instruments		
Financial assets		
Cash and cash equivalents	2,169	2,180
Trade and other receivables	10	11
Held to maturity financial assets	–	851
Available for sale financial assets	12,481	19,242
Financial assets held at FVTPL	1,478	1,167
Financial liabilities		
Trade and other payables	60	77

Note 19. Earnings / (Loss) per share

	30 June 2010	30 June 2009
Basic earnings / (loss) per share, based on the after tax benefit loss of ($5,707,288) (2009: ($4,333,491))	(7.28) cents per share	(5.18) cents per share
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	78,345,124 shares	83,716,898 shares

For the purposes of diluted earnings per share there have been no diluting potential ordinary shares outstanding during the year. There have been no other transactions involving ordinary shares or potential ordinary share since the reporting date and before the completion of these financial statements.

Note 20. Dividends

On 30 August 2010, the directors declared an unfranked final dividend of 2 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2010. This dividend has not been included as a liability in these financial statements. The dividend will be paid to all shareholders on the Register of Members on 9 September 2010. The total estimated dividend to be paid is $1,491,000.

Note 21. Contingent Liability

Performance Fee

It has been assessed that if all investments were realised at their balance date book values, and after taking into account the company's rebate entitlement, the performance fee payable to the Manager would be nil (2009: nil). The basis of the performance fee calculation has been described in Note 16. No liability has been recognised in respect to this.

There were no further contingencies of which the company is aware as at the date of this report.

Director's Declaration

The directors of the company declare that:

1. in the directors opinion, the financial statements and notes and the Remuneration Report in the Directors' Report set out on pages 13 to 15 are in accordance with the Corporations Act 2001 including;

   a) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   b) gives a true and fair view of the company's financial position as at 30 June 2010 and of its performance, as represented by the results of its operations and its cash flows for the financial year ended on that date.

2. the Managing Director and Company Secretary have given declarations in accordance with section 295A of the Corporations Act 2001.

3. the financial statements also complies with International Financial Reporting Standards as disclosed in Note 1.

4. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors pursuant to section 295(5) of the Corporations Act 2001.

K T Greiner

Chair

Sydney

30 September 2010

Deloitte.

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Independent Auditor's Report to the Members of BioTech Capital Limited

Report on the Financial Report

We have audited the accompanying financial report of BioTech Capital Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 28 to 67.

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 1, 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*.

Basis for Qualified Auditor's Opinion

As disclosed in Note 7 to the financial statements, the company has within current and non-current available for sale financial assets, investments in unlisted companies at directors' valuations with carrying values as at 30 June 2010 of $5,316,000 and $4,551,000 respectively ("the assets"). As set out in Note 7 the directors have valued the assets based on their experience in the industry and the average realisable value in the short to medium term based on their change in investment strategy as disclosed in Note 13 to the financial statements. Australian Accounting Standard AASB 136 Impairment of Assets, requires an asset to be carried at no more than its recoverable amount. We have been unable to obtain sufficient appropriate audit evidence of the recoverable amount of the assets and, accordingly, we have been unable to determine whether the recoverable amount of the assets is at least equal to their carrying value. In the event that the carrying value of the assets exceeds their recoverable amount, it would be necessary for the carrying value of the assets to be written down to their recoverable amount.

Qualified Auditor's Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the recoverable amount of these assets:

(a) the financial report of BioTech Capital Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2010 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*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 13 to 15 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of BioTech Capital Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

C Manifis

Conley Manifis
Partner
Chartered Accountants
Perth, 30 September 2010

A. Spread of equity security holdings (as at 15 September 2010)

Shares			Holders
1	–	1,000	55
1,001	–	5,000	1,491
5,001	–	10,000	1,118
10,001	–	100,000	832
100,001	and over		42
			3,538

B. Substantial holders

Notice under Section 671B of the Corporations Act, disclosing a relevant interest in the company's shares, have been received from the following substantial holders as at the date of this report:

	Number of shares/votes	Voting power
Select Asset Management Limited	22,203,206	26.24%
Lazard Asset Management Pacific Co	6,613,872	7.43%

C. Equity security holders

The names of the twenty largest holders of quoted equity securities at 15 September 2010 are listed below:

	Ordinary shares	
Name	Number held	Percentage of issued shares
Cogent Nominees Pty Limited	16,425,121	22.03
HSBC Custody Nominees (Australia) Limited	11,633,440	15.60
Mr Harry Karelis	800,000	1.07
Alimoc Pty Ltd	765,000	1.03
Dr Lester Craig Cowell	704,000	0.94
Mrs Thelma Joan Martin-Weber	600,000	0.80
Mr Michael Alexander Mackay Baldry	504,050	0.68
RPG Management Pty Limited	495,000	0.66

C. Equity security holders (continued)

	Ordinary shares	
Name	**Number held**	**Percentage of issued shares**
Canton Investments Pty Ltd	450,000	0.60
Riverside Metals Pty Ltd	350,000	0.47
Dr R F & Mrs M Biondini	343,698	0.46
Mr David Michael & Dr Annabelle Claire Bennett	300,000	0.40
Redbell Nominees Pty Limited	300,000	0.40
Bond Street Custodians Limited	261,695	0.35
Mr Nicholas Kemsley Gunner	250,000	0.34
Mr Dominic Paul & Mr Robert Thomas McCormick	240,000	0.32
Mr John Tsiaousis	236,000	0.32
Mr Dominic McCormick	219,000	0.29
Purry Burry Investments Pty Ltd	210,000	0.28
Mr Gavin Bryce & Mrs Kathleen Patricia Williamsz	209,900	0.28
	35,296,904	47.34%

D. Less than marketable parcel holders

The number of holders holding less than a marketable parcel based on the market price at 15 September 2010 was 434.

E. Voting rights

The voting rights attaching to each class of equity securities are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Corporate Directory

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