



Biotech Capital Limited Annual Report

Year ended 30th June 2011

BioTech Capital Limited
ABN 45 091 979 172

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Chairman's Address 2011

It is my pleasure to present to you the 2011 Annual Report for BioTech Capital Ltd ("BTC").

The past year has been focused upon implementing the changed strategy as communicated to shareholders during 2010. Our efforts have been towards exiting the investments held by the Company, returning proceeds to shareholders and generally winding down the portfolio whilst keeping a close watch on overheads. The Investment Manager's report presents this in more detail.

At the time of writing, global investor sentiment has turned markedly negative following the credit rating downgrade of the United States and associated panic selling across world markets. Investors have factored in the higher risk of the world slipping back into a recessionary environment and fears about sovereign debt contagion - especially in Europe.

The listed life-science sector in Australia continues to experience far more negative news than positive with several top tier companies experiencing significant declines in their share prices for a variety of reasons including regulatory setbacks.

In reviewing our decision to exit the life-science sector we continue to believe this was the correct path forward. The prevailing macro environment is markedly different to that around the time that BTC was established. It is extremely difficult to generate suitable positive returns in a fragile and volatile investment market where investor appetite for risk is focused largely on the resources sector and availability of capital for life science private equity in Australia is minimal, as indeed it is around the world.

We have confidence that the remaining investments can be realised over the course of the next 12 months. Whilst at this stage no firm plans have been made for the Company beyond then we believe the most sensible course for shareholders is to retain some cash, remain as a listed entity and seek new opportunities rather than pursue a wind-up strategy.

In conclusion, I thank you for your continued support and look forward to welcoming you to our forthcoming Annual General Meeting to be held at the offices of Dibbs Barker lawyers, Level 8, Angel Place, 123 Pitt Street, Sydney at 2pm on Wednesday 9th November.

Kathryn Greiner AO

Chairman

Investment Manager Report

The past twelve months have been focused on realising exits for our holdings in line with the change in investment strategy announced to the market in August 2010.

Commencing the year with nine investments in the portfolio we ended the year with only five investments remaining. At this stage we believe these five remaining investments will be realised over the course of the next 12 months. Further commentary on the investee companies follows below.

The policy remains to return realised funds to shareholders and to that end a total of three separate dividend payments have been made over the past 12 months totalling eight cents per share.

As BTC is a Pooled Development Fund this income is generally tax exempt for investors.

The realisation strategies we are considering include on-market sales, trade sales, management buyouts and in the case where no exit is possible and new funding has not been raised placing companies in voluntary liquidation. Further details on exit strategies for specific investees cannot be provided at this stage as we believe this could prejudice our position.

Investment Manager Report (continued)

Portfolio Companies:

Alchemia Ltd (ASX:ACL)

Our remaining stake in Alchemia was sold on-market in several tranches over the course of several months. Proceeds from the sale of these residual shares totalled approximately \$600,000.

Biocomm Pty Ltd

Biocomm has disposed of its stake in Hatchtech and is attempting to dispose of its last material investment being its shares in Relevare which is attempting to secure new capital to fund the next stage of its development.

The Board of Biocomm intends to return realised funds to its shareholders once greater certainty on the position with the Relevare stake is achieved.

Continara Ltd

Continara was placed into a member's voluntary liquidation on 7th June 2011.

This outcome followed extensive and exhaustive attempts at securing additional capital or a viable partnering opportunity with industry players. Considerable time and effort was expended in pursuit of these objectives over the preceding 18 months including:

- Appointing a North American based healthcare investment bank to pursue industry players around the globe with a view to securing a partnership or investment to provide greater resources to further develop the company's technology
- Working with one of Australia's largest stockbroking firms in pursuit of an initial public offering on the Australian stock exchange
- Reaching very advanced discussions with a listed "shell" company that had seen its original healthcare business fail, and were therefore considering other opportunities, only to have that company withdraw at the final stages due to them becoming insolvent and the desire of their Board to quickly raise funds to cover their liabilities
- Pursuing a second set of discussions with another listed "shell" company that failed during due diligence

- Working with a UK-based healthcare consulting group to pursue discussions with European-based industry players including family owned healthcare businesses.

Despite this considerable effort, for a variety of reasons, it proved impossible to secure a viable path forward for the company. The Continara Board believes it has used its best endeavours and exhausted all known funding and partnering opportunities available to Continara and was left with no choice but to enter into a process that will result in the voluntary liquidation of the company.

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.

Generic Health has as its major shareholder Lupin Ltd – a top 5 Indian pharmaceutical company – providing the company with significant access to resources in pursuing its business plan.

The company recently acquired the rights to the established “Goanna” range of products that include Arthritis Cream, Heat Cream, Liniment and Balm as well as Tea Tree Oil and Eucalyptus Oil products. Part of the rationale of acquiring this brand was in providing access to a significant number of pharmacies that Generic Health previously had limited exposure to.

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. Our strategy is to hold our shares until the NDL Board has secured an attractive opportunity and benefit from the expected re-rating at that time.

Pacific Knowledge Systems Pty Ltd

Our holding in Pacific Knowledge Systems (“PKS”) was sold as part of a 100% takeover of the company by a Sydney-based private family investment group. Funds raised

Investment Manager Report (continued)

totalled approximately \$1.2 million. The acquisition was made possible by the decision of the three major shareholders to collectively pursue an exit.

Phylogica Ltd (ASX:PYC)

Our stake in Phylogica was sold on-market in several tranches with the final line of shares disposed of in May 2011 at a price of 6.1 cents per share. Total proceeds realised was approximately \$3.5 million.

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.

During the year the company developed and achieved regulatory clearance for a new "intrinsically safe" certified product range. This has particular application in markets where ignition risk exists (through sparking) such as in the petrochemical sector. Market acceptance of this product range has been very strong driving solid growth in turnover.

The client base now includes many of the world's brand-name companies in a variety of sectors including mining, oil & gas, power & utilities, aviation, defence, railways and the automotive sector.

The company recently celebrated its 5th anniversary and appears to have very solid foundations to move to the next level of its development.

XRT Ltd

XRT is presently exploring potential partnering/trade sale opportunities to place the innovative intellectual property portfolio in the hands of better-resourced companies to better exploit the market opportunities.

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 2011.

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 as announced in August 2010 consist of disposing of its investments 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

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 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. As part of this strategy, the Company has disposed of its investments in Alchemia Limited, Phylogica Limited and Pacific Knowledge Systems Pty Ltd during the period.

On 28 October 2010, the Company acquired a 100% interest in Titan Bioventures Management Pty Ltd (TBVM) for the purpose of internalising the management arrangements of the Company. The consideration payable consists of cash of \$416,000 over the next two years and a contingent amount estimated at \$290,000, totalling \$706,000. The management contract with TBVM was subsequently terminated and on 4 May 2011 at the request of the Company, TBVM was deregistered by the Australian Securities & Investments Commission.

Review of Operations and Results

Revenue from continuing operations for the year was up 37% to \$86,000 on the same period last year (2010: \$63,000). Operating loss after income tax for the same period decreased 38.8% to a loss of \$3,495,000 (2010: \$5,707,000 loss). This was after

Directors' Report (continued)

recording an impairment loss on unlisted investments of \$1,895,000 (2010: \$6,044,000). The net tangible asset backing per share as at 30 June 2011 equated to 10.83 cents (2010: 21.56 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 \$8,002,000 to \$8,076,000. This is largely due to recording an impairment loss on unlisted investments of \$1,895,000 and payment of dividends as shown below.

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. On 4 May and 30 June 2011, the directors declared an unfranked dividend of 2 cents and 4 cents per share respectively to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2011. These dividends have been included in these financial statements. The total dividend paid was \$5,965,000 (2010: 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, School Funding Review Panel Member and Director, Bell Shakespeare Co. Appointed October 2005. Age 64.	Non Executive Director and Chairman	12,700	–
A J Davidson	B.Ec (Hons) ACA. Has held executive positions in banking and financial services for 27 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 53.	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. Appointed 2000. Age 41.	Executive Director	800,000	–

Company Secretary

Mr Baden Bowen was appointed as Company Secretary on 1 July 2006. Mr Bowen has 29 years administration and financial management experience within the accounting profession and commerce. He is an Associate of the Institute of Chartered Accountants.

Directors' Report (continued)

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 had no employees until 28 October 2010 when the Managing Director, Harry Karelis became an employee, 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.

The Managing Director, Harry Karelis received management fees via the management agreement with Titan Bioventures Management Pty Ltd ('Titan'), of which he was a director and in which he held a financial interest until 28 October 2010. Subsequent to this date, Mr Karelis has received a salary of \$42,000 per annum (including superannuation). 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 was a director and held a financial interest in Titan until 28 October 2010. Titan was the Manager of Biotech Capital Limited and commenced this role on

9 April 2004. The Manager was entitled to be paid a management fee equal to 2.0% of the net value of the assets calculated on a monthly basis, in accordance with the management agreement. During the period to 30 June 2011 the management fees paid were \$85,000 (2010: \$515,000).

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.

	2007	2008	2009	2010	2011
Revenue (in '000's)	630	513	303	62	86
Net Profit/Loss after tax (in '000's)	(759)	(7,386)	(4,333)	(5,707)	(3,495)
Net Assets (in '000's)	37,399	28,061	23,374	16,078	8,076
Share price at Year end (in cents)	0.35	0.19	0.16	0.18	0.12
Basic earnings per Share (in cents)	(0.86)	(8.61)	(5.18)	(7.28)	(4.69)

Remuneration of Directors:

2011	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) resigned 12/08/2010	-	2,000	-	-	2,000
A J Davidson (non-executive)	-	20,000	-	-	20,000
H Karelis* (Managing Director)	29,000	3,000	-	-	32,000
B M Bowen (Company Secretary)	44,000	-	-	-	44,000
Total Remuneration	93,000	25,000	-	-	118,000

Directors' Report (continued)

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)	–	–	–	–	–
B M Bowen (Company Secretary)	31,000	–	–	–	31,000
Total Remuneration	51,000	40,000	–	–	91,000

* Salaries paid to H Karelis in accordance with his employment contract from 31 October 2010. Please refer to Note 15(c) for amounts paid and payable under the terms of the acquisition of Titan and the subsequent internalising of the management arrangements of the Company.

Remuneration Options

No director of the Company has received any options (listed or unlisted) as part of their remuneration during this financial year (2010: 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 2011, 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	5	5	–	–
A J Davidson	5	5	2	2
H Karelis	5	5	–	–
A Basten	1	1	–	–

Auditor Independence Declaration to the Directors

The directors have received the auditors' independence declaration which is included on page 15 of this report.

Insurance of Officers

During the financial year, the company paid a premium of \$18,000 (2010: \$21,000) 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 30 June 2011, the directors declared an unfranked final dividend of 4 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2011. The total dividend provided for was \$2,982,000 and is reflected in this Financial Report. The dividend was paid on 15 July 2011. 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.

Directors' Report (continued)

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, Deloitte Touche Tohmatsu were paid a net fee of \$3,000 (excluding GST) (2010: Nil) for the provision of 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 Deloitte Touche Tohmatsu as the company's auditor.

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

Chair

Sydney

20 September 2011

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
BioTech Capital Limited
1 Edmonson Crescent
KARRINYUP WA 6018

20 September 2011

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 2011, 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



Conley Manifis

Partner

Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

Corporate Governance Statement

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.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.

Corporate Governance Statement (continued)

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 was externally managed by Titan BioVentures Management Pty Ltd until 28 October 2010 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

Corporate Governance Statement (continued)

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.

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;

Corporate Governance Statement (continued)

- 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, was a director and beneficiary of Titan until 28 October 2010 when the Company acquired Titan and subsequently internalised the management function.

Subsequent to 28 October 2010 and within the requirements of their corporate governance roles and responsibilities, the Directors have overseen the management function.

Except for the Managing Director's indirect participation in the fees and incentives payable to Titan until 28 October 2010, 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.

The Managing Director, Harry Karelis received management fees via Titan Bioventures Management Pty Ltd ('TBVM'), of which he was a director and in which he held a financial interest (until 28 October 2010). Subsequent to this date, Mr Karelis has received a salary of \$42,000 per annum (including superannuation). 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 13 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.

Financial Report - 30 June 2011

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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
1 Edmondson Crescent
KARRINYUP WA 6018

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Revenue from continuing operations	2	86	62
Management fees	15(c)	(85)	(515)
Directors fees		(42)	(60)
Other expenses from operations		(304)	(213)
Provision for non recovery of receivable		–	(96)
Impairment loss on unlisted investments – available for sale		(1,895)	(6,043)
Profit (loss) on sale of financial assets		(480)	901
Net gain (loss) arising on financial assets designated as at fair value		(69)	257
Impairment of goodwill	21	(706)	–
		(3,581)	(5,769)
(Loss) from continuing operations before related income tax benefit		(3,495)	(5,707)
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		(3,495)	(5,707)
Other comprehensive income			
Net fair value gains on available for sale financial assets		1,458	355
Income tax on items of other comprehensive income		–	–
Other comprehensive income, net of tax		1,458	355
Total comprehensive (loss)		(2,037)	(5,352)
Basic earnings / (loss) per share	18	(4.69) cents	(7.28) cents
Diluted earnings / (loss) per share	18	(4.69) cents	(7.28) cents

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

Consolidated Statement of Financial Position

As at 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Current Assets			
Cash and cash equivalents	4	3,981	2,169
Trade and other receivables	5	2	10
Financial assets	6	7,765	9,408
Total Current Assets		11,748	11,587
Non-Current Assets			
Deferred tax assets	3	–	–
Financial assets	6	–	4,551
Total Non-Current Assets		–	4,551
Total Assets		11,748	16,138
Current Liabilities			
Trade and other payables	7	174	60
Provision	19	2,982	–
Current tax liabilities	3	–	–
Total Current Liabilities		3,156	60
Non Current Liabilities			
Deferred tax liabilities	3	105	–
Other payables	7	411	–
Total Non Current Liabilities		516	–
Total Liabilities		3,672	60
Net Assets		8,076	16,078
Equity			
Issued Capital	8	39,339	39,339
Accumulated Losses	9	(33,076)	(23,616)
Reserves	10	1,813	355
Total Equity		8,076	16,078

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2011

	Notes	2011 \$'000	2010 \$'000
Cash Flows from Operating Activities			
Interest received		86	62
Managers fees paid		(127)	(520)
Management agreement payments		(139)	-
Payments to suppliers and directors		(339)	(282)
Net cash (outflow) from operating activities	11	(519)	(740)
Cash Flows from Investing Activities			
Proceeds from sale of investments		5,358	1,822
Receipts (payments for) from term deposits		-	(851)
Payment for investments		(44)	-
Net cash inflow from investing activities		5,314	2,673
Cash Flows from Financing Activities			
Share Buy-Back payment		-	(1,944)
Dividend paid		(2,983)	-
Net cash (outflow) from financing activities		(2,983)	(1,944)
Net increase / (decrease) in Cash Held		1,812	(11)
Cash at the beginning of the financial year		2,169	2,180
Cash at the End of the Financial Year	4	3,981	2,169

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

	Issued capital \$'000	Accumulated losses \$'000	Other reserves \$'000	Total \$'000
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 (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
At 1 July 2010	39,339	(23,616)	355	16,078
Profit / (loss) for the year	–	(3,495)	–	(3,495)
Other comprehensive income	–	–	1,458	1,458
Total comprehensive income (loss) for the year	–	(3,495)	1,458	(2,037)
Transaction with owners in their capacity as owners: Dividend paid	–	(5,965)	–	(5,965)
At 30 June 2011	39,339	(33,076)	1,813	8,076

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

Notes to the Financial Statements

For the year ended 30 June 2011

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Note 1. Summary of Significant Accounting Policies

The Financial Report of Biotech Capital Limited for the year ended 30 June 2011

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 20 September 2011.

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').

Adoption of New and Revised Accounting Standards

(a) New standards and Interpretations Adopted

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period beginning 1 July 2010. Significant new and revised standards and interpretations effective for the current financial reporting period that are relevant to the Company are:

- AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process;
- AASB 2009-8: Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions AASB 2;
- AASB 2009-10: Amendments to Australian Accounting Standards – Classification of Rights Issues;
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project;
- Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments.

(b) Accounting Standards and Interpretations issued but not yet effective

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 2011.

Standard / Interpretation	Effective for annual reporting periods beginning/ending on or after	Expected to be applied by consolidated entity
AASB 124 Related Party Disclosures (2009) and AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 9: Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-9 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 January 2013	30 June 2014
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from Annual Improvements Project	1 January 2011	30 June 2012
AASB 2010-5 Amendments to Australian Accounting Standards	1 January 2011	30 June 2012
AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	1 July 2011	30 June 2012
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets	1 January 2012	30 June 2013
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	1 July 2013	30 June 2014
IFRS 10 Consolidated Financial Statements	1 January 2013	30 June 2014
IFRS 11 Joint Arrangements	1 January 2013	30 June 2014
IFRS 12 Disclosure of Interests in Other Entities	1 January 2013	30 June 2014
IFRS 13 Fair Value Measurement	1 January 2013	30 June 2014

Notes to the Financial Statements (continued)

The impact of these recently issued or amended Standards and Interpretation have not been determined as yet by the Company.

Significant Accounting Policies

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

(a) Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

(b) Business Combination

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

(c) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in

Notes to the Financial Statements (continued)

a subsequent period. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(d) 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.

(e) Impairment of Financial Assets

Financial assets, other than those 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 taken 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.

(f) 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.

(g) 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

Notes to the Financial Statements (continued)

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 6.

(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.

(h) **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.

(i) 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.

(j) 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.

(k) 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.

(l) Rounding of Amounts to Nearest Thousand Dollars

The company is of a kind referred to in Class Order 98/100, issued by the

Notes to the Financial Statements (continued)

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.

(m) 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 6.

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 unlisted investments of \$1,895,000 (2010: \$6,044,000) has been recorded in the statement of comprehensive income.

Note 2. Revenues from Ordinary Activities

	30 June 2011 \$'000	30 June 2010 \$'000
Finance revenue	86	62
	86	62

Note 3. Income Tax

Major components of income tax expense for the year ended 30 June 2011 and 2010 are:

	30 June 2011 \$'000	30 June 2010 \$'000
Statement of Comprehensive Income		
<i>Current Income</i>		
Current income tax benefit	–	–
Adjustments in respect to current income tax of previous years	–	–
<i>Deferred Income Tax</i>		
Relating to origination and reversal of temporary differences	–	–
Income tax expense reported in the statement of comprehensive income	–	–
Statement of changes in equity		
<i>Deferred Income Tax</i>		
Unrealised gain on available for sale financial assets	105	–
Income tax benefit reported in equity	105	–
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 2011 and 2010 is as follows:		
Accounting profit / (loss) before tax from continuing operations	(3,495)	(5,707)
Loss before tax from discontinued operations	–	–
Accounting profit / (loss) before income tax	(3,495)	(5,707)

Notes to the Financial Statements (continued)

Note 3. Income Tax (continued)

	30 June 2011 \$'000	30 June 2010 \$'000
At the statutory income tax rate of 25% (2010: 25%)	(874)	(1,427)
Adjustments in respect of current income tax of previous years	–	–
Investment gains / (losses) not brought to account	667	1,471
Temporary differences and tax losses not brought to account as a deferred tax asset	207	(44)
At effective income tax rate of (0%) (2010: 0%)	–	–
Income tax expense reported in statement of comprehensive income	–	–
Income tax attributable to discontinued operation	–	–
	–	–

The Company is a Pooled Development Fund (PDF) and is taxed at 15% on income and gains from investments in small to medium enterprises and taxed at 25% of other income.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Fair value adjustments of investments	–	–	105	–	105	–
Capital raising costs	–	–	–	–	–	–
<i>Tax / (assets) liabilities</i>	–	–	105	–	105	–
Set off of tax	–	–	–	–	–	–
Net tax / (assets) liabilities	–	–	105	–	105	–

Note 3. Income Tax (continued)

	30 June 2011 \$'000	30 June 2010 \$'000
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Tax Losses	2,082	1,860
Other	3	4
Investments	178	267
Investment Provision	999	1,314
	3,262	3,445

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. Due to PDF status of the Company, tax losses and other are taxed at 25% and investments and investment provision are taxed at 15%.

Movement in deferred tax assets / liabilities

	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	–	–	–	–
	–	–	–	–
	Balance 1 July 2010 \$'000	Recognised in Income \$'000	Recognised in Equity \$'000	Balance 30 June 2011 \$'000
Fair value adjustments of investments	–	–	105	105
Capital raising costs	–	–	–	–
	–	–	105	105

Notes to the Financial Statements (continued)

Note 4. Cash and cash equivalents

	30 June 2011 \$'000	30 June 2010 \$'000
Cash at bank and on hand	3,469	164
Term Deposits	512	2,005
	3,981	2,169

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 2011 \$'000	30 June 2010 \$'000
Investment receivable	–	96
Provision for non recovery of receivable	–	(96)
GST recoverable	2	10
	2	10

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

Note 6. Financial assets

	30 June 2011 \$'000	30 June 2010 \$'000
Current		
Available for Sale Financial Assets:		
Investment in listed companies – at fair value	354	2,614
Investment in unlisted Companies – at directors' valuation	7,411	5,316
Investments in Convertible Notes – unlisted companies	–	–
Total Available for sale Financial Assets	7,765	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	7,765	9,408
Non Current		
Available for Sale Financial Assets:		
Investment in listed companies – at fair value	–	–
Investment in unlisted Companies – at directors' valuation	–	4,551
Investments in Convertible Notes – unlisted companies	–	–
Total Available for sale Financial Assets	–	4,551
Financial Assets held at Fair Value through Profit and Loss		
Investment in Convertible Notes – listed company	–	–
Total Financial Assets held at Fair Value through Profit and Loss	–	–
Total Non Current Financial Assets	–	4,551

On 12 August 2010, the Company announced it was adopting a change in investment strategy and restructuring. It is currently the Board's intention to liquidate the current portfolio in an orderly manner over the next 12 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. As a result of the change in investment strategy, all financial assets have been classified as current. The Board acknowledges, due to the nature and liquidity of their unlisted investments, that realisation of these investments may take longer than 12 months.

Notes to the Financial Statements (continued)

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 term based on their change in investment strategy. The 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. During the year the convertible note was converted into ordinary shares and these were subsequently sold.

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 \$1,895,000 (2010: \$6,044,000) has been recorded in the statement of comprehensive income.

Summary of changes in investments in financial assets

	30 June 2011 \$'000	30 June 2010 \$'000
Opening	13,959	20,409
Acquisitions	44	–
Impairment loss on unlisted investments	(1,895)	(6,044)
Disposals	(6,123)	(1,018)
Revaluations	1,780	612
Closing	7,765	13,959

Biotech Capital Limited (BTC) did not equity account at 30 June 2010 investments it had greater than a 20% interest in because the characteristics of the investments confirm it does not exert significant influence. The investments concerned were Continara, Pacific Knowledge Systems Pty Ltd, XRT Ltd, Sensear Pty Ltd and Phylogica Limited. The reasons significant influence was not exerted include that BTC had no significant participation in policy making processes, the investee entities had no economic dependency on BTC, other investors held a similar percentage interest in the entities, the Board representation in the entities by BTC was only one in each case and there was no interchange of managerial personnel between the entities and BTC. As at 30 June 2011, BTC does not hold more than a 20% interest in any investments.

Note 7. Trade and other payables

	30 June 2011 \$'000	30 June 2010 \$'000
Current		
Managers fees payable – director related entity	–	41
Trade creditors	7	5
Other payables – director related entity (Note 15(c))	157	–
Audit fees payable	10	14
	174	60

Trade and other payables are non-interest bearing and are generally settled on 60 day terms. The current and non current payable to a director related entity relates to the acquisition of Titan Bioventures Management Pty Ltd and subsequent internalisation of the management function as explained in note 21 and Note 15(c).

Non Current

Other payables – director related entity (Note 15(c))	411	–
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Note 8. Issued Capital

	2011 Shares	2011 \$'000	2010 Shares	2010 \$'000
(a) Ordinary shares Issued and fully paid	74,554,108	39,339	74,554,108	39,339

Notes to the Financial Statements (continued)

Note 8. Issued Capital (continued)

(b) Movements in ordinary shares on issue:

		2011	2011	2011	2010	2010	2010
Date	Details	No. of Shares	Issue Price	\$'000	No. of Shares	Issue Price	\$'000
30/06/2010	Opening Equity	74,554,108		39,339	81,909,505		41,283
July 2010 to June 2011	Share Buy-Back/ Cancellation	-		-	(7,355,397)		(1,944)
		-		-	(7,355,397)		(1,944)
30/06/2011	Closing Equity	74,554,108		39,339	74,554,108		39,339

(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 9. Retained Profits / (Accumulated Losses)

	30 June 2011 \$'000	30 June 2010 \$'000
Retained Profits / (Accumulated Losses) at the beginning of the financial year	(23,616)	(17,909)
Net Profit / (Loss)	(3,495)	(5,707)
Dividend Paid	(5,965)	-
Retained Profits / (Accumulated Losses) at the end of the year	(33,076)	(23,616)

Note 10. Reserves

	30 June 2011 \$'000	30 June 2010 \$'000
Investments Revaluation Reserve	1,813	355
	1,813	355
Investments Revaluation Movements During the Year		
Opening balance	355	–
Net revaluation increment on listed investments	1,629	1,141
Income tax arising on revaluation of investments	(105)	–
Cumulative (gain) / loss to profit or loss on sale of investments	(66)	(786)
Closing balance	1,813	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 investments reflects market value at 30 June 2011. During the prior year, all unrealised impairment losses have been taken directly to the profit or loss.

Note 11. Reconciliation of Operating (Loss) after Income Tax to the Net Cash Flow from Operating Activities

	30 June 2011 \$'000	30 June 2010 \$'000
Operating (loss) after Income tax	(3,495)	(5,707)
<i>Adjustment for:</i>		
Impairment Loss or Unlisted Investments	1,895	6,044
Fair Value Movement in Investments	69	(257)
Provision for Non recovery of receivable	–	96
Loss (Profit) on Sale of Investments	480	(901)
<i>Changes in Assets and Liabilities:</i>		
(Decrease) / Increase in trade and other payables	532	(15)
Net cash flow from operating activities	519	(740)

Notes to the Financial Statements (continued)

Note 12. Subsequent Events

On 30 June 2011, the directors declared an unfranked final dividend of 4 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2011. The total dividend provided for was \$2,982,000 and is reflected in this Financial Report. The dividend was paid on 15 July 2011. 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 13. 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 on following page).

Note 13. Key Management Personnel (continued)

2011	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) resigned 12/08/2010	–	2,000	–	–	2,000
A J Davidson (non-executive)	–	20,000	–	–	20,000
H Karelis (Managing Director) (see note 13(d) & 15(c))	29,000	3,000	–	–	32,000
Total Remuneration	49,000	25,000	–	–	74,000

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 15(c))	–	–	–	–	–
Total Remuneration	20,000	40,000	–	–	60,000

Notes to the Financial Statements (continued)

Note 13. Key Management Personnel (continued)

(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 (2010 Nil).

(d) Remuneration Practices

The remuneration of 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 was a beneficiary and managing director of Titan Bioventures Management Pty Ltd ('Titan'), the company's investment manager until 28 October 2010 when Titan was acquired by the company for the purpose of internalising the management arrangements of the company (refer to Note 21 for acquisition details). From 31 October 2010, Mr Karelis has been remunerated by the company receiving a salary of \$42,000 per annum (including superannuation). Hence during the year, he has received benefits from his equity interest in and services provided to Titan. Details of management fees paid during the year to Titan are shown in Note 15 (c).

Note 13. Key Management Personnel (continued)

(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 2011

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 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

Notes to the Financial Statements (continued)

Note 14. Remuneration of Auditors

	30 June 2011 \$	30 June 2010 \$
PKF		
Remuneration for audit or review of the financial statements	–	11
Remuneration for non-audit – taxation and other services	–	4
Deloitte Touche Tohmatsu		
Remuneration for audit or review of the financial statements	25	14
Remuneration for non-audit – taxation and other services	3	–

Note 15. Related Party Disclosures

(a) Remuneration Benefits

Information on remuneration benefits of key management personnel is disclosed in note 13.

(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.

	2011 Number	2010 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	932,700	942,700
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(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 was a director and beneficiary, was the investment manager of Biotech Capital Limited until 28 October 2010 and commenced this

Note 15. Related Party Disclosures (continued)

role on 9 April 2004. Titan was acquired by the Company on 28 October 2010 following approval by shareholders at an Extraordinary General Meeting for the purpose of internalising the management arrangements of the Company. Under the terms of the acquisition \$139,000 was paid during the year and as at 30 June 2011, there are current payables of \$157,000 and non current payables of \$157,000 and a further non current payable of \$254,000 (based on calculation of the realised value of unlisted investments) to an entity related to Harry Karelis.

The Manager was entitled to be paid a management fee equal to 2.0% of the net value of the assets calculated on a monthly basis. During the period to 30 June 2011 the management fees paid were \$85,000 (2010: \$515,000).

Note 16. Operating Segments

Operating segments have been identified on the basis of internal reports of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The chief operating decision maker has been identified as the Board of Directors. On a regular basis, the board receives financial information on a company basis similar to the financial statements presented in the financial report, to manage and allocate their resources.

Note 17. 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

Notes to the Financial Statements (continued)

Note 17. Financial Risk Management Objectives and Policies (continued)

relation to the valuation of investments traded on organised markets, and unlisted investments has been described in Note 1(g). 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 2011	Balance \$'000	Interest Rate	Weighted Average Effective Interest Rate
Financial Assets			
Cash	3,469	Floating	4.75%
Term deposits – cash equivalents	512	Floating	6.03%
Receivables	2	N/A	–
Available for sale financial assets:			
Listed investments	354	N/A	
Unlisted investments	7,411	N/A	
Financial assets held at FVTPL	–		
Total financial assets	11,748		
Financial Liabilities			
Payables	584	N/A	–
Total financial liabilities	584		
Nel Financial Assets	11,164		

Note 17. Financial Risk Management Objectives and Policies (continued)

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%
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		

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 in the following. The analysis is performed on the same basis for 2010.

Notes to the Financial Statements (continued)

Note 17. Financial Risk Management Objectives and Policies (continued)

	Carrying Value	Profit or loss		Equity	
		100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
30 June 2011	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	3,469	35	(35)	35	(35)
Term deposits – cash equivalents	512	5	(5)	5	(5)
Cash flow sensitivity (net)		40	(40)	40	(40)
30 June 2010					
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)

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:

Note 17. Financial Risk Management Objectives and Policies (continued)

	Carrying amount	Contractual cash flows	6 months or less	Greater than 6 months, less than one year	Greater than one year
30 June 2011	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	(585)	(585)	(174)	–	(411)
	(585)	(585)	(174)	–	(411)
30 June 2010	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	(60)	(60)	(60)	–	–
	(60)	(60)	(60)	–	–

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 2010. In 2010 and 2011, 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.

Notes to the Financial Statements (continued)

Note 17. Financial Risk Management Objectives and Policies (continued)

	Carrying Value	Profit or loss		Equity	
		20% increase	20% decrease	20% increase	20% decrease
30 June 2011	\$'000	\$'000	\$'000	\$'000	\$'000
Available for sale financial assets:					
Listed investments	354	–	(71)	71	(71)
Unlisted investments	7,411	–	(1,482)	1,482	(1,482)
Financial assets held at FVTPL:	–	–	–	–	–
		–	(1,553)	1,553	(1,553)
30 June 2010	\$'000	\$'000	\$'000	\$'000	\$'000
Available for sale financial assets:					
Listed investments	2,614	–	(523)	523	(523)
Unlisted investments	9,867	–	(1,973)	1,973	(1,973)
Financial assets held at FVTPL:	1,478	296	(296)	296	(296)
		296	(2,792)	2,792	(2,792)

Impairment losses

An impairment loss of \$1,895,000 (2010: \$6,044,000) 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,

Note 17. Financial Risk Management Objectives and Policies (continued)

which are based on their experience in the industry and the average realisable value in the short 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 2011	\$'000	\$'000	\$'000	\$'000
Financial assets				
Listed investments – available for sale	354	–	–	354
Unlisted investments – available for sale	–	–	7,411	7,411
Listed convertible notes – FVTPL	–	–	–	–
	354	–	7,411	7,765
30 June 2010				
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

There were no transfers between levels during the year.

Notes to the Financial Statements (continued)

Note 17. Financial Risk Management Objectives and Policies (continued)

Reconciliation of Level 3 fair value measurements of financial assets

	2011 Unlisted investments	2011 Total	2010 Unlisted investments	2010 Total
Opening balance	\$'000 9,867	\$'000 9,867	\$'000 15,910	\$'000 15,910
Total gains or losses:				
– in profit and loss	(1,895)	(1,895)	(6,043)	(6,043)
– in other comprehensive income	1,891	1,891	–	–
– disposals	(2,452)	(2,452)	–	–
Closing balance	7,411	7,411	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 2010.

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.

Note 17. Financial Risk Management Objectives and Policies (continued)

	30 June 2011 \$'000	30 June 2010 \$'000
Categories of financial instruments		
Financial assets		
Cash and cash equivalents	3,981	2,169
Trade and other receivables	2	10
Available for sale financial assets	7,765	12,481
Financial assets held at FVTPL	–	1,478
Financial liabilities		
Trade and other payables	584	60

Note 18. Earnings / (Loss) per share

	30 June 2011	30 June 2010
Basic earnings / (loss) per share, based on the after tax benefit loss of (\$3,495,000) (2010: (\$5,707,000))	(4.69) cents per share	(7.28) cents per share
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	74,554,108 shares	78,345,124 shares

For the purposes of diluted EPS 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 19. 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. The total dividend paid was \$1,492,000 and is reflected in this Financial Report. On 4 May 2011, 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 2011. The total dividend paid was \$1,491,000 and is reflected in this Financial Report. On 30 June 2011, the directors declared an unfranked final dividend of 4 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2011. The total dividend was provided for of \$2,982,000 and is reflected in this Financial Report. This dividend was paid on 15 July 2011.

Notes to the Financial Statements (continued)

Note 20. Contingent Liability

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

Note 21. Acquisition of Subsidiary

BioTech Capital Limited (BTC) acquired Titan Bioventures Management Pty Ltd (TBVM) on 28 October 2010 for the purpose of internalising the management arrangements of the Company. The consideration payable consists of cash of \$416,000 over the next two years and a contingent amount estimated at \$290,000, totalling \$706,000. A total of \$139,000 of this has been paid to date and the balance is payable as shown in Note 7. The contingent amount requires BTC to pay the vendors an amount depending on the timing of the exit of their investments on or before 30 September 2012 as agreed in the Share and Unit Purchase Deed. The exact amount of this contingent value will be determined when information allows this over the next 12 to 18 months.

The only asset owned by TBVM at acquisition was the management contract. However this has no value as the contract has been cancelled on acquisition by BTC and the management function has been internalised in BTC. Therefore, as at acquisition date, TBVM has no assets or liabilities and no operations.

Hence, goodwill arising on acquisition of \$706,000 has been impaired by the board of directors to nil value and an impairment of \$706,000 recorded in the statement of comprehensive income.

Note 22. Parent Entity Information

On 4 May 2011 at the request of BTC, TBVM was deregistered by the Australian Securities & Investments Commission. Hence at the reporting date of 30 June 2011, BTC had no subsidiaries so the parent entity financial information is the same as shown in the consolidated financial statements.

Directors' 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 10 to 12 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 consolidated entity's financial position as at 30 June 2011 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

20 September 2011



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

We have audited the accompanying financial report of BioTech Capital Limited, which comprises the statement of financial position as at 30 June 2011, 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 of the consolidated entity comprising the company and the entities it controlled at the end of the year or from time to time during the year as set out on pages 25 to 63.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply 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. Those 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 of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of BioTech Capital Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

Basis for Qualified Auditor's Opinion

As disclosed in Note 6 to the financial report, the consolidated entity has within current available for sale financial assets, investments in unlisted companies at directors' valuations with a carrying value as at 30 June 2010 and 30 June 2011 of \$9,867,000 and \$7,411,000, respectively ("the assets"). Further, included in the statement of comprehensive income are impairment losses of \$1,895,000 (2010: \$6,043,000) and net fair value gains of \$1,892,000 (2010: Nil) relating to the assets. As set out in Note 6, the directors have valued the assets based on their experience in the industry and the average realisable value in the short term based on their change in investment strategy. Australian Accounting Standard AASB 139 "*Financial Instruments: Recognition and Measurement*" requires financial assets classified as available for sale financial assets to be recognised and measured at their fair values, with subsequent changes in fair values to be recognised in other comprehensive income, except for impairment losses. We have been unable to obtain sufficient appropriate audit evidence of the fair values of the assets at 30 June 2010 and 30 June 2011 and, accordingly, we have been unable to determine whether the fair values at those dates and changes in fair values and impairment losses have been appropriately recognised.

Qualified 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 fair values 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 consolidated entity's financial position as at 30 June 2011 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 consolidated 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 10 to 12 of the directors' report for the year ended 30 June 2011. 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.

Opinion

In our opinion the Remuneration Report of BioTech Capital Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Conley Manifis

Partner

Chartered Accountants

Perth, 20 September 2011

Shareholder Information

A. Spread of equity security holdings (as at 6 September 2011)

Shares	Holders
1 – 1,000	53
1,001 – 5,000	1,438
5,001 – 10,000	1,070
10,001 – 100,000	792
100,001 and over	43
	3,396

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	29.78%
Lazard Asset Management Pacific Co	6,613,872	8.87%

C. Equity security holders

The names of the twenty largest holders of quoted equity securities at 6 September 2011 are listed below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
Cogent Nominees Pty Limited	16,857,005	22.61
HSBC Custody Nominees (Australia) Limited	11,810,535	15.84
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)

Name	Ordinary shares	
	Number held	Percentage of issued shares
Mr David Michael & Dr Annabelle Claire Bennett	400,000	0.54
Riverside Metals Pty Ltd	350,000	0.47
Dr R F & Mrs M Biondini	343,698	0.46
Redbell Nominees Pty Limited	300,000	0.40
Carmant Pty Ltd	275,333	0.37
Mr Nicholas Kemsley Gunner	250,000	0.34
Mr Dominic Paul & Mr Robert Thomas McCormick	240,000	0.32
Mr Ianaki Semerdziev	236,550	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
	35,806,071	48.03%

D. Less than marketable parcel holders

The number of holders holding less than a marketable parcel based on the market price at 6 September 2011 was 1,915.

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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T 08 9446 5293

Principal Contact

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Auditors

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Perth WA 6000

Lawyers

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