
BIOPHARMICA LIMITED

ABN 41 095 912 002

Appendix 4D
Half Year Financial Report
For the half year ended 31 December 2008

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BioPharmica Limited and its controlled entities

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Company Information

Directors

David Breeze – Executive Chairman
Seng Yap – Non-Executive Director
Greg Gilbert – Non Executive Director
Hock Goh – Non Executive Director

Scientific Advisors

Professor Peter Klinken

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Auditor

PKF
BGC Centre
Level 7,
28 The Esplanade
PERTH WA 6000

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Australian Business Number

41 095 912 002

Directors' Report

BioPharmica Limited and its controlled entities

The directors of BioPharmica Limited submit herewith the financial report for the half year ended 31 December 2008. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of the directors of the company during or since the end of the period are:

D L Breeze
S K Yap
G Gilbert
H Goh

Review of Operations

Operating loss for the consolidated entity after tax for the year was \$862,847 (2007 \$741,097).

Subsequent Events

Other than referred in note 8 of these financial accounts there have not been any matters or circumstance that have arisen since the end of the period, that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Dividends

The Directors recommend that no dividend be paid in respect of the current period and no dividends have been paid or declared since the commencement of the period.

Auditor's Independence

The directors received a declaration of independence from the auditor. This is included in the financial report on page 2.

Signed in accordance with a resolution of the directors made pursuant to s.306C of the Corporations Act 2001.

On behalf of the Directors



D L Breeze
Executive Chairman
PERTH, 24 February 2009

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of BioPharmica Limited for the half year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of BioPharmica Limited and the entities it controlled during the half year.



PKF
Chartered Accountants



Chris Nicoloff
Partner

Dated at Perth, Western Australia this 24th day of February 2009

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Directors' Declaration

BioPharmica Ltd and its controlled entities

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 4 to 13:
 - a) Comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
 - b) give a true and fair view of the economic entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date.
2. 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.

A handwritten signature in black ink, appearing to read 'D L Breeze'.

D L Breeze
Executive Chairman
PERTH, 24 February 2009

Consolidated Income Statement

for the half year ended 31 December 2008

BioPharmica Limited and its controlled entities

	Note	31 December 2008 \$	31 December 2007 \$
Revenue from ordinary activities	4	71,504	144,593
Other Revenue	4	16,835	200,000
Share of Associates Loss		-	(34,428)
Administration expenses		(102,836)	(83,912)
Consulting and legal expenses		(151,531)	(142,823)
Depreciation and amortisation expense		(97,994)	(100,475)
Employee benefits expense		(69,565)	(21,750)
Equipment rental expense		(10,472)	(17,657)
Insurance expenses		(12,213)	(13,857)
Listing mailing and distribution expenses		-	(60,164)
Diminution expense		(151,697)	-
Other expenses		(71,095)	(158,321)
Research and Development expenses		(212,969)	(350,594)
Service expenses		(65,520)	(93,570)
Traveling expenses		(5,294)	(8,139)
Loss before income tax		(862,847)	(741,097)
Income tax expense		-	-
Loss from continuing operations		(862,847)	(741,097)
<i>Loss attributable to minority equity interest</i>		27,069	16,163
Loss attributable to members of the parent entity		(835,778)	(724,934)
Earnings Per Share -			
Basic and Diluted (cents per share)		(1.23)	(1.15)

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

as at 31 December 2008

BioPharmica Limited and its controlled entities

	Note	31 December 2008 \$	30 June 2008 \$
Current Assets			
Cash and cash equivalents	5	463,392	836,130
Trade and other receivables		394,235	834,943
Financial Assets		873,257	646,862
Other Current Assets		16,508	9,957
Total Current Assets		1,747,392	2,327,892
Non-Current Assets			
Financial assets		157,525	242,846
Intangible assets		920,072	1,086,769
Property, plant and equipment		80,194	173,515
Total Non-Current Assets		1,157,791	1,503,130
Total Assets		2,905,183	3,831,022
Current Liabilities			
Trade and other payables		173,601	259,551
Financial liabilities		151,137	228,700
Short-term provisions		14,437	7,507
Total Current Liabilities		339,175	495,758
Non Current Liabilities			
Financial liabilities		285,820	224,284
Total Current Liabilities		285,820	224,284
Total Liabilities		624,995	720,042
Net Assets		2,280,188	3,110,980
Equity			
Issued capital	6	7,184,660	7,184,660
Option Reserve		262,236	230,181
Accumulated losses		(5,183,258)	(4,347,480)
Minority equity interest		16,550	43,619
Total Equity		2,280,188	3,110,980

Consolidated Statement of Changes in Equity

for the half year ended 31 December 2008

BioPharmica Limited and its controlled entities

	Ordinary Share Capital \$	Accumulated losses \$	Options \$	Minority Interest \$	Total \$
Balance as at 1 July 2007	6,588,464	(3,156,616)	111,191	61,648	3,604,687
Recoupment of transaction costs	-	-	-	-	-
Shares issued during financial period	1,174,860	-	-	-	1,174,860
In specie distribution	(781,516)	-	-	-	(781,516)
Expired Options	102,851	-	(102,851)	-	-
Total recognised income and expenses for the half year	-	(724,934)	-	-	(724,934)
Minority Equity Interest	-	-	-	(16,163)	(16,163)
Balance for the half year ending 31 December 2007	7,084,659	(3,881,550)	8,340	45,485	3,256,934
Balance as at 1 July 2008	7,184,660	(4,347,480)	230,181	43,619	3,110,980
Options charges to the profit and loss during the year	-	-	32,055	-	32,055
Expired options	-	-	-	-	-
Total recognised income and expenses for the half year	-	(835,778)	-	-	(835,778)
Minority Equity Interest	-	-	-	(27,069)	(27,069)
Balance for the half year ending 31 December 2008	7,184,660	(5,183,258)	262,236	16,550	2,280,188

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

for the period ended 31 December 2008

BioPharmica Limited and its controlled entities

	Note	31 December 2008 \$	31 December 2007 \$
<i>Cash Flows From Operating Activities</i>			
Cash receipts from customers		60,523	137,088
Cash payments to suppliers		(580,433)	(1,159,235)
Research and Development Claw back		440,611	352,364
Interest received		26,602	35,912
Net cash used in operating activities		(52,697)	(633,871)
<i>Cash Flows From Investing Activities</i>			
Purchase of investments		-	(589,000)
Payment for property, plant and equipment		(144)	(362)
Loans to other entities		(242,334)	(382,480)
Net cash used in investing activities		(242,478)	(971,842)
<i>Cash Flows From Financing Activities</i>			
Proceeds from capital raising		-	1,174,860
Repayment of borrowings		(77,564)	(77,566)
Net cash provided by financing activities		(77,564)	1,097,294
<i>Net increase in Cash Held</i>		(372,739)	(508,419)
<i>Cash At the Beginning Of The Financial Year</i>		836,131	2,076,725
<i>Cash At The End Of The Financial Year</i>	5	463,392	1,568,306

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

for the period ended 31 December 2008

BioPharmica Limited and its controlled entities

1. CORPORATE INFORMATION

The financial report of BioPharmica Limited (the company) for the half-year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 24 February 2009

BioPharmica Limited is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of BioPharmica Limited as at 30 June 2008.

It is also recommended that the half-year financial report be considered together with any public announcements made by BioPharmica Limited and its controlled entities during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of Preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The half-year financial report has been prepared on a historical cost basis, except where stated.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

Reporting Basis and Conventions

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

(b) Significant Accounting Policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2008, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2008, as described in Note 2(d).

Notes to the Financial Statements (continued)

for the period ended 31 December 2008

BioPharmica Limited and its controlled entities

(c) Going Concern

The consolidated entity has incurred losses of \$835,778 for the half year ended 31 December 2008 (31 December 2007: losses of \$724,934), and has a working capital surplus of \$1,408,217 as at 31 December 2008 (30 June 2008: surplus of \$1,832,134). During the year, the company has lost future funding due to the withdrawal by the Federal Government of the Commercial Ready Grant Program.

The directors have reviewed their expenditure and have implemented methods of costs reduction. The directors as a part of their cash monitoring, have voluntarily suspended cash payments for their director's fees. The director's fees of the company are expected to be paid via shares (subject to shareholder approval).

No further funds are required to be spent on key technology projects (HLS5 Tumour Suppressor Gene and BacTrack) as all work expected to be undertaken by the company has been completed. The company is vigorously pursuing partnering opportunities so the technology can be further developed in order for the commercialisation phase to commence.

The directors have prepared cash flow forecasts that indicate that the consolidated entity will have sufficient cashflows for a period of at least 12 months from the date of this report.

Based on the cash flow forecasts and the monitoring of operational costs, the directors are satisfied that, the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

No allowance for such circumstances has been made in the Financial Report.

(d) New standards and Interpretations Not Yet Adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption for financial reporting periods beginning 1 January 2009 but have not been applied in preparing the financial report.

Notes to the Financial Statements (continued)

for the period ended 31 December 2008

BioPharmica Limited and its controlled entities

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	More information	Impact on Group
<p><i>AASB 101 Presentation of Financial Statements (Revised September 2007), AASB 2007-8 Amendments to Australian Accounting Standards & Interpretations and AASB 2007-10 Further Amendments to AASBs arising from AASB 101</i></p> <p>The revised standard affects the presentation of changes in equity and comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other AASB standards.</p>	<p>Beginning 1 January 2009</p>	<p>This will be adopted for the year ended 30 June 2010</p>	<p>This is a disclosure standard, so will have no direct impact on amounts in the financial report, other than amendments to disclosures.</p>
<p><i>AASB 123 Borrowing Costs (Revised), AASB 2007-6 Amendments to Australian Accounting Standards 1, 101, 107, 111, 116, 138 and Interpretations 1 & 12</i></p> <p>This revision eliminates the option to expense borrowing costs on qualifying assets and requires that they be capitalised. The Amending Standard eliminates reference to the expensing option in various other pronouncements.</p>	<p>Beginning 1 January 2009</p>	<p>This will be adopted for the year ended 30 June 2010</p>	<p>The adoption of this standard will have no impact on the group.</p>
<p><i>AASB 3 Business Combinations (Revised), AASB 127 Consolidated and Separate Financial Statements (Amended), AASB 2008-3 Amendments to AASBs arising from AASB 3 and AASB 127</i></p> <p>This revision changes the application of acquisition accounting for business combinations and accounting for non-controlling interests. The revised and amended standards incorporate many changes which will have a significant impact on the profit and loss for entities entering into business combinations.</p>	<p>Beginning 1 July 2009</p>	<p>This will be adopted for the year ended 30 June 2010</p>	<p>The impact of this standard on the group has not yet been determined.</p>

Notes to the Financial Statements (continued)

for the period ended 31 December 2008

BioPharmica Limited and its controlled entities

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	More information	Impact on Group
<p><i>AASB 8 Operating Segments, AASB 2007-3 Amendments to Australian Accounting Standards 5, 6, 102, 107, 119, 127, 134, 136, 1023 & 1038 arising from AASB 8</i></p> <p>This standard supersedes AASB 114 Segment Reporting, introducing a US GAAP approach of management reporting as part of the convergence project with FASB.</p>	<p>Beginning 1 January 2009</p>	<p>This will be adopted for the year ended 30 June 2010</p>	<p>AASB 8 is a disclosure standard, so will have no direct impact on amounts in the financial report, other than amendments to disclosures.</p>
<p><i>AASB 2008-1 Amendments to Australian Accounting Standards: Share-Based Payments: Vesting Conditions and Cancellations</i></p> <p>This clarifies that vesting conditions comprise service conditions and performance conditions only and that other features of a share-based payment transaction are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.</p>	<p>Beginning 1 January 2009</p>	<p>This will be adopted for the year ended 30 June 2010</p>	<p>The impact of this standard on the group has not yet been determined.</p>
<p><i>AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i></p> <p>This amends and clarifies the following standards AASB 101, AASB 118, AASB 127 and AASB 136 for the treatment of determining the cost of an investment in a subsidiary, jointly controlled entity or associate.</p>	<p>Beginning 1 January 2009</p>	<p>This will be adopted for the year ended 30 June 2010</p>	<p>The impact of this standard on the group has not yet been determined.</p>
<p><i>Interpretation 17 Distributions of Non-cash Assets to Owners</i></p> <p>This Interpretation provides guidance on how an entity should measure distributions of assets other than cash when it pays dividends to its owners, except for common control transactions.</p>	<p>Beginning 1 January 2009</p>	<p>This will be adopted for the year ended 30 June 2010</p>	<p>The impact of this standard on the group has not yet been determined.</p>

Notes to the Financial Statements (continued)

for the period ended 31 December 2008

BioPharmica Limited and its controlled entities

(e) Intangibles – Patents and Trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life of 20 years.

3. SEGMENT INFORMATION

The Economic entity operates predominantly in one industry, namely the biomedical research sector through its wholly owned subsidiary Molecular Discovery Systems Pty Ltd. These activities are predominantly in Australia.

4. REVENUE, INCOME AND EXPENSES

	Consolidated	
	December 2008 \$	December 2007 \$
<i>Revenue</i>		
Cost recoveries	39,902	33,927
Grant Income	5,000	74,754
Interest revenue : other entities	26,602	35,912
<i>Total revenue</i>	71,504	144,593
<i>Other income</i>		
ATO FBT refund	16,835	-
Grant Income	-	200,000
	16,835	200,000

5. CASH AND CASH EQUIVALENTS

	Consolidated	
	December 2008 \$	December 2007 \$
For the purpose of the half-year condensed cash flow statement, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand	463,392	1,568,306
	463,392	1,568,306

Notes to the Financial Statements (continued)

for the period ended 31 December 2008

BioPharmica Limited and its controlled entities

6. CONTRIBUTED EQUITY

	Consolidated	
	December 2008 \$	June 2008 \$
Ordinary shares (i)	7,184,660	7,184,660
	7,184,660	7,184,660

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

7. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

8. EVENTS SUBSEQUENT TO REPORTING DATE

There have not been any further matters or circumstances that have arisen since the end of the period, that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

9. CHANGE IN ACCOUNTING POLICY

The consolidated group changed its accounting policy for the half year ending 31 December 2008 relating to the amortization of intangibles. Patents associated with the HLS5 Tumour Suppressor Gene were previously considered to have an indefinite life and no amortisation charge was recognized. The group has now reassessed the life of these patents as being 20 years from the grant date of 24th November 2000.

The aggregate effect of the change in the accounting policy on the half financial report for the half year ending 31 December 2008 is as follows :

	31 December 2008			31 December 2007		
	Previously Stated	Adjustment	Restated	Previously Stated	Adjustment	Restated
Income statement						
Amortisation charge	82,994	15,000	97,994	85,475	15,000	100,475
Loss Before Income Tax	(847,847)	(15,000)	(862,847)	(726,097)	(15,000)	(741,097)
Basic Earnings per share	(1.21)	(0.02)	(1.23)	(1.13)	(0.02)	(1.15)
Diluted Earnings per share	(1.21)	(0.02)	(1.23)	(1.13)	(0.02)	(1.15)
	31 December 2008			30 June 2008		
Balance sheet						
Intangible Assets	935,072	(15,000)	920,072	1,314,269	(227,500)	1,086,769
Retained Earnings	(5,168,258)	(15,000)	(5,183,258)	(4,119,980)	(227,500)	(4,347,480)

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of BioPharmica Limited and its Controlled Entities

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of BioPharmica Limited and its controlled entities, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement or description of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2008 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of BioPharmica Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of BioPharmica Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



PKF
Chartered Accountants



Chris Nicoloff
Partner

Dated at Perth, Western Australia this 24th day of February 2009

Appendix 4D

Half year report

BioPharmica Limited
Half Year ended 31 December 2008

ABN 41 095 912 002

Results for announcement to the market

\$A'000

Revenues from ordinary activities	Down	51%	to	71
(Loss) from ordinary activities after tax attributable to members	Up	15%	to	(836)
Net (loss) for the period attributable to members	Up	15%	to	(836)
Dividends (distributions)		Amount per security		Franked amount per security
Final dividend		Nil		Nil
Interim dividend				
Previous corresponding period		N/A		N/A

Other notes to the condensed financial statements

	Current period	Previous corresponding Period
Ratios		
Loss before tax / revenue		
Consolidated (loss) from ordinary activities before tax as a percentage of revenue	(980.68)%	(206.10)%
Loss after tax / equity interests		
Consolidated net (loss) from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	(11.63)%	(9.99)%

	Current period	Previous corresponding Period
NTA Backing		
Net tangible asset backing per ordinary security	1.6cps	2.9cps