



PARANTA BIOSCIENCES LTD
ABN: 75 141 027 107

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2011

PARANTA BIOSCIENCES LIMITED
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PARANTA BIOSCIENCES LIMITED
DIRECTORS' REPORT

The directors present their report together with the financial report of Paranta Biosciences Limited for the financial year ended 30 June 2011 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Principal activities

The principal activities of the Company during the financial year were related to the development and commercialisation of recombinant human follistatin as a bio-therapeutic drug for human use.

Results

The net loss after income tax was \$239,913.

Review of operations

Paranta Biosciences is an innovative drug development company established to develop and commercialise research and intellectual property that originated from Monash University relating to clinical uses of recombinant human follistatin.

The Company became operational in September 2010. In December 2010, the Company acquired intellectual property rights from ITFP Pty Ltd to two patent application families relating to the use of follistatin in the treatment and prevention of fibrotic and inflammatory conditions. One application family was exclusively owned by ITFP Pty Ltd and the other co-owned with Inhibin Pty Ltd, a wholly owned subsidiary of Beckman Coulter Inc. As consideration for the assignment of its intellectual property rights, ITFP Pty Ltd was allocated 2.5 million shares in Paranta Biosciences.

In January 2011, Paranta Biosciences appointed a full time CEO and in April, the Company became an unlisted public company following the successful raising of \$5.13 million in seed capital.

Activities undertaken by Paranta Biosciences during the financial year were primarily directed toward laying the foundations for the development of follistatin as a bio-therapeutic product. A key activity involved consolidation of the Company's IP position acquired from ITFP Pty Ltd.

In April 2011, the Company's first patent was granted (Australian Patent No. 2004277281 covering inflammatory conditions). At the end of the financial year, there remained uncertainty surrounding the Company's IP position in other jurisdictions, particularly in the USA and Europe. Objections raised during examination of the Company's patent applications are likely to result in granting of narrower patent protection than originally anticipated. The Company's IP position is further complicated by co-ownership of the application covering fibrotic conditions. Efforts to secure exclusive rights from Beckman Coulter to this application have so far proved elusive. Negotiations with Beckman Coulter are ongoing and the Company expects an outcome of these negotiations will be known by October 2011.

Significant changes in the state of affairs

During the financial year, net assets increased to \$4.65 million. This increase is attributable to the raising of \$5.13 million in seed capital corresponding to the issuance of 5.13 million new shares at \$1 per share (net \$4.893 million after GST and capital raising fees).

After balance date events

Proposals received from contract manufacturing organisations for cell line development and cGMP manufacturing scale-up of follistatin indicate the Company will need to raise additional capital to fund activities through to a Phase I clinical trial. This combined with the uncertainty in the Company's IP position led to an internal review of the Company's strategy. The review has resulted in a refinement to the Company's strategy with the focus now exclusively on the development of follistatin for the treatment and prevention of respiratory diseases and conditions. The review also identified potential new intellectual property available to the Company that will significantly strengthen the Company's IP portfolio supporting the use of follistatin in treating and

preventing respiratory diseases and conditions. The Company is currently in the process of securing this new IP.

Likely developments

The Company will continue to pursue its operating strategy to create shareholder value. Further details will be disclosed at the Company's Annual General Meeting in October.

Environmental regulation

The Company's operations are not subject to any significant environmental Commonwealth or State regulations or laws.

Dividend paid, recommended and declared

No dividends were paid, declared or recommended since the start of the financial year.

Share options

No options over unissued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the end of the financial year.

Shares issued on exercise of options

No ordinary shares were issued during or since the end of the financial year as a result of the exercise of an option.

There are no amounts unpaid on shares issued on exercise of options.

Indemnification and insurance of directors, officers and auditors

During the financial year, the Company paid \$13,585 as a premium for Directors and Officers Liability Insurance with 12 months cover from 31 May 2011. The insurance policy does not include external auditors.

Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the Company.

Information on directors and company secretary

The qualifications, experience and special responsibilities of each person who has been a director of Paranta Biosciences Limited at any time during or since 1 July 2010 are provided below, together with details of the company secretary as at the year end.

Peter D. Jonson BCom, MA, PhD (Age 64)

Non-executive director

Chairman

Appointed 28 September 2010

Dr Jonson has worked as a professional company director for the past decade. He holds a Bachelor of Commerce and Master of Arts degrees from Melbourne University and PhD from the London School of Economics. Following a 16 year career with the Reserve Bank of Australia including 7 years as Head of Research, Dr Jonson held senior management positions at James Capel Australia, Norwich Union Financial Services, and ANZ Funds Management. He is a Director of Village Roadshow Ltd (since 2001) and was Chairman of Bionomics Ltd (2005 to 2009). He was founding Chair Australian Institute for Commercialisation Ltd (2002-2007) and past Chair of Cooperative Research Centre Committee.

Current directorships of listed companies:

Village Roadshow Limited (ASX:VRL)

Former directorships of listed companies in past 3 years:	Bionomics Limited (ASX:BNO) Pro Medicus Limited (ASX:PME) Metal Storm Limited (ASX:MST)
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David M. De Kretser, AC MBBS, MD, HonLLD (Age 72)
Non-executive director
Chief Scientist
Appointed 10 May 2011

Professor de Kretser has a long and distinguished career in medical research and has received wide international recognition for his contributions to the fields of andrology and reproductive science. Professor de Kretser is currently holds the position of Sir John Monash Distinguished Professor at Monash University. He was the founding director of the Monash Institute of Reproduction now known as the Monash Institute of Medical Research. Professor de Kretser was Governor of Victoria from April 2006 to April 2011. He is also a recipient of Australia's highest civilian honour, a Companion of the Order of Australia. He is also a co-inventor of the patent applications acquired by Paranta from ITPF Pty Ltd.

Current directorships of listed companies:	None
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Former directorships of listed companies in past 3 years:	None
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Rocco C. Iannello BSc.Hons, MBA, PhD (Age 51)
Non-executive director
Appointed 9 December 2009

Dr Iannello is a Senior Business Development Manager at Monash University working with the faculties of Medicine, Nursing and Health Sciences and Pharmacy and Pharmaceutical Sciences. He was awarded his PhD from the Faculty of Medicine, Sydney University followed by post-doc work at UCSF in the USA. Dr Iannello is currently a Director of the Cooperative Research Centre for Biomedical Imaging Development and ITPF Pty Ltd and was previously a co-Chair of the Victorian Branch of AusBiotech.

Current directorships of listed companies:	None
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Former directorships of listed companies in past 3 years:	None
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John W. Raff Dip. AgSci, BSC, PhD (Age 62)
Non-executive director
Appointed 28 September 2010

Dr Raff has successfully invested in and managed a wide range of innovation-based agricultural and pharmaceutical companies. He was the founding CEO and was until June 2011 the Deputy Chairman of ASX listed Starpharma Holdings Ltd. He is also the Chairman and major shareholder of HealthFarm Fine Foods Pty Ltd, an integrated manufacturer of sesame and nut based products for domestic and international markets. He was previously the General Manager of the Biomolecular Research Institute and a past Chairman of the BioMelbourne Network.

Current directorships of listed companies:	None
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Former directorships of listed companies in past 3 years:

Starpharma Holdings Limited (ASX:SPL)

Dianna L. DeVore BA, PhD, JD (Age 43)

Non-executive director
Appointed 9 December 2009
Resigned 9 July 2011

Dr DeVore is a founding partner of Convergent Law Group in California. Her previous roles include VP of IP and Legal Affairs at Alice Therapeutics and Complete Genomics, Inc; US Legal Counsel at Cambridge Antibody Technology (a subsidiary of AstraZeneca); and COO for the Australian Stem Cell Centre in Melbourne. Dr DeVore graduated from Stanford Law School in 1998 and was awarded her PhD in Genetics from Yale University. She is a member of the State Bar of California and registered to practice before the United States Patent and Trademark Office.

Current directorships of listed companies: None

Former directorships of listed companies in past 3 years: None

Christopher J.A. Carter BPharm, MBA (Age 49)

Non-executive director
Appointed 28 September 2010
Resigned 24 May 2011

Mr Carter holds a Bachelor of Pharmacy from Rhodes University (South Africa) and a MBA from Henley Management College (UK). He completed his industrial pharmacy internship with GlaxoSmithKline and was a Director of Fisons Pharmaceuticals Pty Ltd with marketing, sales and operational experience at Roche and Pharmanova-Muller & Phipps. Since coming to Australia in 2001, Mr Carter has been CEO of both Meditech Research and Acuron, and more recently VP Asia Pacific and Southern Africa for medical device manufacturer Gyrus ACMI. In 2008 Olympus Corporation acquired Gyrus ACMI and Mr Carter has continued to market the product range for Olympus in the Asia Pacific region.

Current directorships of listed companies: None

Former directorships of listed companies in past 3 years: None

Brendan E. Brown B.Bus CA (Age 34)

Company secretary
Appointed 29 April 2011

Brendan is a Chartered Accountant and principal of MPR Group Pty Ltd with over 15 years experience in the industry. He has worked with a range of businesses covering diverse industries to successfully support them in their financial and business advisory needs.

Directors' meetings

The number of meetings of the board of directors and of each board committee held during the financial year and the numbers of meetings attended by each director were:

	Board of Directors	
	Eligible to attend	Attended
Peter Jonson	9	9
David de Kretser	2	2
Dianna DeVore (by phone)	10	7
Rocco Iannello	10	10
John Raff	9	8
Christopher Carter	8	5

Directors' interests in shares or options

Directors' relevant interests in shares of Paranta Biosciences Limited or options over shares in the Company (or a related body corporate) are detailed below.

Directors' relevant interests in:	Ordinary shares of Paranta Biosciences Ltd	Options over shares in Paranta Biosciences Ltd
Peter Jonson	50,000	0
David de Kretser ^(a)	200,000	0
Rocco Iannello ^(a)	0	0
John Raff	50,000	0
Christopher Carter	0	0
Dianna DeVore	0	0

^(a) Professor de Kretser and Dr Iannello are shareholders of ITP Pty Ltd, a company that holds 2.5 million shares in Paranta Biosciences Limited.

Directors' interests in contracts

No contracts were awarded during the financial year to any party related to the Directors. During the coming financial year, the Company intends to award research contracts to Monash University and affiliates of Monash University. Professor de Kretser and Dr Iannello are current employees of Monash University.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the audit for the financial year is provided with this report.

Non-audit services

No non-audit services were provided by the auditors of Paranta Biosciences Limited during the year.

Signed in accordance with a resolution of the directors.

.....
 Director

Melbourne
 13 September 2011

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Paranta Biosciences Ltd.

In relation to the independent audit for the year ended 30 June 2011, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the Corporations Act 2001; and
- (ii) No contraventions of any applicable code of professional conduct.

S SCHONBERG

Partner

Date

PITCHER PARTNERS

Melbourne

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 \$
Revenue		
Other revenue	4	<u>69,540</u>
		<u>69,540</u>
Less: Expenses		
Employee benefits expense	5	130,982
Occupancy expense		1,753
Legal expenses and Intellectual Property		132,583
Audit Fees		9,500
Research Costs		66,884
Depreciation and amortisation expenses	5	181
Finance costs		2,073
Other expenses		<u>31,316</u>
		<u>375,272</u>
Loss before income tax		(305,732)
Income tax benefit	6	<u>65,819</u>
Loss for the year		<u>(239,913)</u>
Other comprehensive income		<u>-</u>
Total comprehensive income		<u>(239,913)</u>

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Notes	2011 \$
CURRENT ASSETS		
Cash and cash equivalents	7	4,669,770
Other current assets	8	<u>83,338</u>
TOTAL CURRENT ASSETS		<u>4,753,108</u>
NON-CURRENT ASSETS		
Plant and equipment	9	<u>1,173</u>
TOTAL NON-CURRENT ASSETS		<u>1,173</u>
TOTAL ASSETS		<u>4,754,281</u>
CURRENT LIABILITIES		
Payables	10	63,126
Payroll liabilities	11	30,210
Provisions	12	<u>8,056</u>
TOTAL CURRENT LIABILITIES		<u>101,392</u>
NON-CURRENT LIABILITIES		
Provisions	12	<u>89</u>
TOTAL NON-CURRENT LIABILITIES		<u>89</u>
TOTAL LIABILITIES		<u>101,481</u>
NET ASSETS		<u>4,652,800</u>
EQUITY		
Contributed capital	13	4,892,713
Retained losses	14	<u>(239,913)</u>
TOTAL EQUITY		<u>4,652,800</u>

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	Contributed equity \$	Retained earnings \$	Total Equity \$
Balance as at 30 June 2010	-	-	-
Profit for the year	-	(239,913)	(239,913)
Total comprehensive income for the year	-	(239,913)	(239,913)
Transactions with owners in their capacity as owners:			
Contributions	5,130,000	-	5,130,000
Less Capital Raising Costs	(237,287)	-	(237,287)
	<u>4,892,713</u>	<u>-</u>	<u>4,892,713</u>
Balance as at 30 June 2011	<u>4,892,713</u>	<u>(239,913)</u>	<u>4,652,800</u>

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 \$
CASH FLOW FROM OPERATING ACTIVITIES		
Payments to suppliers and employees		(291,129)
Interest received		<u>69,540</u>
Net cash used in operating activities	15(a)	<u>(221,589)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Payment for plant and equipment		<u>(1,354)</u>
Net cash used in investing activities		<u>(1,354)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from share issue		<u>4,892,713</u>
Net cash provided by financing activities		<u>4,892,713</u>
Net increase in cash and cash equivalents		4,669,770
Cash and cash equivalents at beginning of year		<u>-</u>
Cash and cash equivalents at end of the year	15(b)	<u>4,669,770</u>

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

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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies adopted by the entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers Paranta Biosciences Ltd. Paranta Biosciences Ltd is a company limited by shares, incorporated and domiciled in Australia.

The financial report was authorised for issue by the directors on 13th September 2011.

Compliance with IFRS

The financial statements of Paranta Biosciences Ltd also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

Critical accounting estimates

The preparation of the financial report requires the use of certain estimates and judgements in applying the entity's accounting policies. Those estimates and judgements significant to the financial report are disclosed in Note 2.

(b) Going concern

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

In common with biotechnology and drug development companies the company's operations are subject to considerable risks and significant uncertainty due primarily to the nature of the development and commercialisation undertaken. To allow the company to execute its near term and longer term plans, it will be necessary to raise additional capital in the future.

Based on anticipated cash flow requirements of the company's existing research and development activities, the directors consider that the company will secure sufficient funds to support operations beyond 2011 and will manage the availability of resources over an extended period of time.

Should additional funds not be secured, expenditure on research and development activities will be reduced accordingly, to ensure the company can meet its financial obligations as and when they fall due. The company had \$4.67 million in cash assets at the 30th June 2011. Based on the above the directors consider the going concern basis to be appropriate.

(c) Revenue

Interest revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(e) Plant and equipment

Cost and valuation

Plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

Depreciation

The depreciable amounts of all other fixed assets are calculated using the diminishing balance method over their estimated useful lives commencing from the time the asset is held ready for use.

The useful lives for each class of assets are:

	2011
Plant and equipment:	3 to 10 years

(f) Intangibles

Research and development

Expenditure on research activities is recognised as an expense when incurred.

Expenditure on development activities is capitalised only when technical feasibility studies demonstrate that the project will deliver future economic benefits and these benefits can be measured reliably. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using a straight-line method to allocate the cost of the intangible assets over their estimated useful lives. Amortisation commences when the intangible asset is available for use.

Other development expenditure is recognised as an expense when incurred.

(g) Impairment

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

(h) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax balances

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(i) Provision

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an out flow of economic benefits will result and that outflow can be reliably measured.

(j) Employee benefits

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

(k) Financial instruments

Classification

The entity classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Non-derivative financial instruments

Non-derivative financial instruments consist of investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value, plus directly attributable transaction costs (if any), except for instruments recorded at fair value through profit and loss. After initial recognition, non-derivative financial instruments are measured as described below.

Loans and receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans or other amounts due to director-related entities.

(l) Foreign currency translations and balances

Functional and presentation currency

The financial statements of the entity are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The financial statements are presented in Australian dollars which is the entity's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies of entities are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

(m) 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 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.

(n) New accounting standards and interpretations

A number of accounting standards and interpretations have been issued at the reporting date but are not yet effective. The directors have not yet assessed the impact of these standards or interpretations.

(o) Comparative figures

Paranta Biosciences Pty Ltd was incorporated on the 9th of December 2009 and converted to a public company on the 15th of April 2011. The company did trade during the 2010 financial year and did not become operational until September 2010. The directors have made the decision not to include any comparative figures for the 2010 year as they will not provide any meaningful information to the users of the financial statements.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying amounts of the assets and liabilities discussed below:

(a) Impairment of non-financial assets other than goodwill

All assets are assessed for impairment at each reporting date by evaluating whether indicators of impairment exist in relation to the continued use of the asset by the entity. Impairment triggers include declining product or manufacturing performance, technology changes, adverse changes in the economic or political environment or future product expectations. If an indicator of impairment exists the recoverable amount of the asset is determined. Given the current uncertain economic environment management considered that the indicators of impairment were significant and as such all assets have been tested for impairment during the current financial year.

(b) Income tax

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTE 3: FINANCIAL RISK MANAGEMENT

The entity is exposed to a variety of financial risks comprising:

- (a) Interest rate risk
- (b) Credit risk
- (c) Liquidity risk

The board of directors has overall responsibility for identifying and managing operational and financial risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The exposure to interest rate risks in relation to future cash flows and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Financial instruments	Interest bearing	Non-interest bearing	Total carrying amount	Weighted average effective interest rate %	Fixed / variable rate
2011	\$	\$	\$	%	
(i) Financial assets					
Cash	4,669,770	-	4,669,770	4.73	Variable
Total financial assets	4,669,770	-	4,669,770		
(ii) Financial liabilities					
Trade creditors	-	63,126	63,126	-	
Total financial liabilities	-	63,126	63,126		

Sensitivity

If interest rates were to increase/decrease by 1% from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	2011
+/- 1%	\$
Impact on profit after tax	32,689
Impact on equity	32,689

NOTE 3: FINANCIAL RISK MANAGEMENT (cont'd)

(b) Credit risk exposures

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in statement of financial position and notes to the financial statements.

The entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the entity.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Maturity analysis

The tables below represents the undiscounted contractual settlement terms for financial instruments and managements expectation for settlement of undiscounted maturities.

Year ended 30 June 2011	< 6 Months \$	6-12 Months \$	1-5 years \$	Total contractual cash flows \$	Carrying amount \$
Cash and cash equivalents	4,669,770	-	-	-	4,669,770
Payables	<u>(93,336)</u>	-	-	-	<u>(93,336)</u>
Net maturities	<u>4,576,434</u>	-	-	<u>-</u>	<u>4,576,434</u>

2011
\$

NOTE 4: REVENUE

Revenues from continuing operations

Other revenue

Interest	69,540
	69,540

NOTE 5: PROFIT FROM CONTINUING OPERATIONS

Profit from continuing operations before income tax has been determined after the following specific expenses:

Employee benefits expense

Other employee benefits	130,982
	130,982

Depreciation of non-current assets

Plant and equipment	181
	181

	2011 \$
NOTE 6: INCOME TAX	
(a) Components of tax expense:	
Current tax	<u>(65,819)</u>
	<u>(65,819)</u>
 (b) Prima facie tax payable	
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:	
Profit/(loss) before tax from continuing operations	<u>(305,732)</u>
Total profit/loss before income tax	<u>(305,732)</u>
 Prima facie income tax payable on profit before income tax at 30%	 (91,720)
Add tax effect of:	
- non-deductible expenses	46,707
- Research & Development Costs (subject to R&D tax offset)	52,655
- capital raising costs written off	(14,237)
- Increase in provisions	2,443
- Losses not recognised	<u>(4,152)</u>
	<u>-</u>
Less tax effect of:	
- R&D Tax Rebate	<u>65,819</u>
	<u>-</u>
Income tax expense attributable to profit	<u>(65,819)</u>
 (c) Current tax	
Current tax relates to the following:	
Current tax assets	
Opening balance	-
R&D Tax Rebate	<u>(65,819)</u>
Current tax assets	<u>(65,819)</u>
 NOTE 7: CASH AND CASH EQUIVALENTS	
Cash at bank and on hand	<u>4,669,770</u>
	<u>4,669,770</u>

	2011
	\$
NOTE 8: OTHER CURRENT ASSETS	
Prepayments	11,265
GST Receivable	6,255
Provision for Income Tax	65,818
	<u>83,338</u>

NOTE 9: PLANT AND EQUIPMENT	
Plant & equipment	
At cost	1,354
Accumulated depreciation	(181)
	<u>1,173</u>

(a) Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year

Plant and equipment

Carrying amount at beginning of year	-
Additions	1,354
Depreciation expense	(181)
Carrying amount end of year	<u>1,173</u>

NOTE 10: PAYABLES

CURRENT

Trade payables	46,626
Other payables	16,500
	<u>63,126</u>

NOTE 11: PAYROLL LIABILITIES

CURRENT

Amounts withheld	23,794
Superannuation	6,416
	<u>30,210</u>

	2011
	\$
NOTE 12: PROVISIONS	
CURRENT	
Employee benefits	8,056
	8,056
NON-CURRENT	
Employee benefits	89
	89
 Aggregate employee benefits liability	 8,145

NOTE 13: CONTRIBUTED CAPITAL

(a) Issued and paid up capital

Ordinary shares fully paid	4,892,713
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Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Movements in shares on issue

	2011	
	No of Shares	\$
Beginning of the financial year	-	-
Issued during the year		
Shares issued	7,630,000	5,130,000
- Capital raising costs	-	(237,287)
End of the financial year	7,630,000	4,892,713

(c) Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called.

(d) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cash flows.

2011
\$

NOTE 14: RETAINED LOSSES

(e) Retained losses

Balance at the beginning of year	-
Net loss attributable to members of Paranta Biosciences Ltd	<u>(239,913)</u>
Balance at end of year	<u>(239,913)</u>

NOTE 15: CASH FLOW INFORMATION

(a) Reconciliation of cash flow from operations with profit after income tax

Profit from ordinary activities after income tax	(239,913)
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Non-Cash Items

Depreciation and amortisation	181
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Changes in assets and liabilities

Increase in other current assets	(83,338)
Increase in trade and other payables	63,126
Increase in payroll liabilities	30,210
Increase in provisions	8,145
Net cash flow from operating activities	<u>(221,589)</u>

(b) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position is as follows:

Cash at bank	<u>4,669,770</u>
Closing cash balance	<u>4,669,770</u>

NOTE 16: AUDITORS REMUNERATION

Amounts received or due and receivable by Pitcher Partners for:

An audit or review of the financial report of the entity and any other entity	9,500
	<u>9,500</u>

NOTE 17: SUBSEQUENT EVENTS

There has been no matter or circumstance, which has arisen since 30 June 2011 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2011, of the entity, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2011, of the entity.

NOTE 18: SEGMENT REPORTING

The entity operates exclusively in the pharmaceutical drug development segment with all operations based in Australia.

DIRECTORS DECLARATION

The directors declare that the financial statements and notes set out on pages 9 to 25 in accordance with the Corporations Act 2001:

- (a) Comply with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements;
- (b) As stated in Note 1(a) the financial statements also comply with International Financial Reporting Standards; and
- (c) Give a true and fair view of the financial position of the entity as at 30 June 2011 and of its performance for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Paranta Biosciences Ltd will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ending 30 June 2011.

This declaration is made in accordance with a resolution of the directors.

Peter Jonson
Director

Melbourne
Date

PARANTA BIOSCIENCES LIMITED
ABN 75 141 027 107

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
PARANTA BIOSCIENCES LIMITED

We have audited the accompanying financial report of Paranta Biosciences Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 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 about 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 in 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.

Independence

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

PARANTA BIOSCIENCES LIMITED
ABN 75 141 027 107

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
PARANTA BIOSCIENCES LIMITED

Opinion

In our opinion:

- (a) the financial report of Paranta Biosciences Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

S SCHONBERG

Partner

Date

PITCHER PARTNERS

Melbourne